# THE U.N. OIL FOR FOOD PROGRAM: CASH COW MEETS PAPER TIGER

## **HEARING**

BEFORE THE

SUBCOMMITTEE ON NATIONAL SECURITY, EMERGING THREATS AND INTERNATIONAL RELATIONS

OF THE

# COMMITTEE ON GOVERNMENT REFORM HOUSE OF REPRESENTATIVES

ONE HUNDRED EIGHTH CONGRESS

SECOND SESSION

OCTOBER 5, 2004

Serial No. 108-286

Printed for the use of the Committee on Government Reform



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WASHINGTON: 2005

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#### THE U.N. OIL FOR FOOD PROGRAM: CASH **COW MEETS PAPER TIGER**

#### TUESDAY, OCTOBER 5, 2004

House of Representatives, SUBCOMMITTEE ON NATIONAL SECURITY, EMERGING THREATS AND INTERNATIONAL RELATIONS. COMMITTEE ON GOVERNMENT REFORM, Washington, DC.

The subcommittee met, pursuant to notice, at 11:25 a.m., in room 2154, Rayburn House Office Building, Hon. Christopher Shays (chairman of the subcommittee) presiding.

Present: Representatives Shays, Turner, Duncan, Murphy, Lantos, Sanders, Lynch, Maloney, Sanchez, Ruppersberger, Tierney, Watson, and Waxman [ex officio].

Also present: Representative Ose.

Staff present: Lawrence Halloran, staff director and counsel; J. Vincent Chase, chief investigator; R. Nicholas Palarino, senior policy advisor; Thomas Costa and Kristine McElroy, professional staff members; Robert A. Briggs, clerk; Hagar Hajjar, intern; Phil Barnett, minority staff director; Kristin Amerling, minority deputy chief counsel; Karen Lightfoot, minority communications director/ senior policy advisor; David Rapallo, minority counsel; Andrew Su, minority professional staff member; Early Green, minority chief clerk; and Jean Gosa, minority assistant clerk.

Mr. Shays. A quorum being present, the Subcommittee on National Security, Emerging Threats and International Relations hearing entitled, "The U.N. Oil-for-Food Program: Cash Cow Meets Paper Tiger," is called to order.

The United Nations Oil-for-Food Program was mugged by Sad-

dam Hussein. Through cynical, yet subtle manipulation, he, and an undeclared Coalition of the Venal on the Security Council, exploited structural flaws in the program and institutional naivete at the U.N. to transform a massive humanitarian aid effort in a multibillion dollar sanctions-busting scam.

How did it happen? How was a well-intentioned program designed and administered by the world's preeminent multinational organization so systematically and so thoroughly corrupted?

The answers emerging from our investigation point to a debilitat-

ing combination of political paralysis and a lack of oversight capacity, allowed to metasticize behind a veil of official secrecy. Acceding to shameless assertions of Iraqi sovereignty, sovereignty already betrayed by Saddam's brutal willingness to starve the Iraqi people, the U.N. gave the Hussein regime control over critical aspects of the program. Saddam decided with whom to do business and on

what terms. While Chinese, French, and Russian delegates to the Security Council's Sanctions Committee deftly tabled persistent reports of abuses, the contractors hired to finance and monitor the

program had only limited authority to enforce safeguards.

We will hear from these contractors today. BNP Paribas, the international bank retained by the U.N. to finance oil and commodity transactions through letters of credit, describes its functions as purely nondiscretionary. Saybolt International, responsible for verifying oil shipments, faced physical and political constraints on performance of their work. Additionally the firm Cotecna Inspection was given only a limited technical role in authenticating shipments of humanitarian goods into Iraq.

The U.N. appears to have assumed that the rigor of commercial trade practices would protect the program, while the contractors took false comfort in the assumption the U.N. would assure the integrity of this decidedly noncommercial enterprise. Once it became clear the Security Council was politically unable to police the program, no one had any incentive to strengthen oversight mecha-

nisms that would only be ignored.

As this and other investigations got underway, the companies expressed their willingness to provide detailed information on their Oil-for-Food activities but confidentiality provisions in U.N. agreements prevented their coming forward until the committee's "friendly" subpoenas trumped those contractual restraints. Since then, they have provided thousands of pages and gigabytes of data which we and other committees are reviewing.

Today we are releasing some of those documents because, apart from any findings or recommendations we might adopt, a major goal of this investigation is to bring transparency to secretive U.N. processes and to put information about this highly important international program in the public domain. The documents provide the first detailed glimpse into the structural vulnerabilities and operational weaknesses exploited by Saddam and his allies.

From what we have learned thus far, one conclusion seems inescapable: The U.N. sanctions regime against Iraq was all but eviscerated, turned inside out by political manipulation and financial greed. Saddam's regime was not collapsing from within; it was thriving. He was not safely contained, as some contend, but was daily gaining the means to threaten regional and global stability again, once sanctions were removed.

Testimony from our witnesses today will contribute significantly to our ongoing oversight and to the public understanding of the United Nations Oil-for-Food Program. We sincerely thank them for their participation today and we look forward to their continued co-

operation in our work.

At this time the Chair would recognize the ranking member of the full committee, Mr. Waxman who is an ex officio member.

[The prepared statement of Hon. Christopher Shays follows:]

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## Congress of the United States

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#### Statement of Rep. Christopher Shays October 5, 2004

The United Nations Oil-for-Food Program (OFFP) was mugged by Saddam Hussein. Through cynical yet subtle manipulation, he and an undeclared Coalition of the Venal on the Security Council exploited structural flaws in the program and institutional naiveté at the UN to transform a massive humanitarian aid effort into a multi-billion dollar sanctions-busting scam.

How did it happen? How was a well-intentioned program, designed and administered by the world's preeminent multinational organization, so systematically and thoroughly corrupted?

The answers emerging from our investigation point to a debilitating combination of political paralysis and a lack of oversight capacity, allowed to metastasize behind a veil of official secrecy. Acceding to shameless assertions of Iraqi sovereignty - sovereignty already betrayed by Saddam's brutal willingness to starve the Iraqi people - the UN gave the Hussein regime control over critical aspects of the program. Saddam decided with whom do to business and on what terms. While Chinese, French and Russian delegates to the Security Council's Sanctions Committee deftly tabled persistent reports of abuses, the contractors hired to finance and monitor the program had only limited authority to enforce safeguards.

Statement of Rep. Christopher Shays October 5, 2004 Page 2 of 2

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The UN appears to have assumed the rigor of commercial trade practices would protect the program; while the contractors took false comfort in the assumption the UN would assure the integrity of this decidedly non-commercial enterprise. Once it became clear the Security Council was politically unable to police the program, no one had any incentive to strengthen oversight mechanisms that would only be ignored.

As this and other investigations got underway, the companies expressed a willingness to provide detailed information on their Oil-for-Food activities. But confidentiality provisions in UN agreements prevented their coming forward until the Committee's "friendly" subpoenas trumped those contractual restraints. Since then, they have provided thousands of pages, and gigabytes of data, which we and other committees are reviewing.

Today we are releasing some of those documents because, apart from any findings or recommendations we might adopt, a major goal of this investigation is to bring transparency to secretive U.N. processes and put information about an important international program in the public domain. The documents provide the first detailed glimpse into the structural vulnerabilities and operational weaknesses exploited by Saddam and his allies.

From what we have learned thus far, one conclusion seems inescapable: The UN sanctions regime against Iraq was all but eviscerated, turned inside out by political manipulation and greed. Saddam's regime was not collapsing from within. It was thriving. He was not safely contained, as some contend, but was daily gaining the means to threaten regional and global stability again once sanctions were removed.

Testimony from our witnesses today will contribute significantly to our ongoing oversight, and to public understanding of the United Nations Oil-for-Food Program. We thank them for their participation today and we look forward to their continued cooperation in our work.

Mr. WAXMAN. Thank you, Mr. Chairman.

Today the committee is holding the fifth congressional hearing to investigate allegations of mismanagement in the U.N. Oil-for-Food Program. This humanitarian effort was established in 1995 to provide for the basic needs of Iraqis while U.N. sanctions were in effect. Recently there have been serious allegations of corruption, overpricing and kickbacks under this program.

overpricing and kickbacks under this program.

And I want to make it clear that I believe it is appropriate for Congress to investigate these allegations in an evenhanded manner

and follow the evidence wherever it leads.

My complaint is that our scope is too narrow. If we are going to look at how Iraq's oil proceeds have been managed, we have an obligation to examine not only the actions of the U.N. but also our own actions. In fact, I would argue that our first priority should be

to investigate our own conduct.

The United States controlled Iraq's oil proceeds from the fall of Baghdad in May 2003 until June 2004. Yet Congress has not held a single hearing to examine the evidence of corruption, overpricing and lack of transparency in the successor to the Oil-for-Food Program, the Development Fund for Iraq—which was run by the Bush administration when the United States exercised sovereignty over Iraq.

Here are the facts. When the Bush administration took over in Iraq, it received \$20.6 billion through Iraqi oil proceeds, repatriated funds, and foreign donations. Halliburton was the single largest private recipient of these funds, receiving \$1.5 billion under its con-

tract to run Iraq's oil fields.

This money belongs to the Iraqi people. It is not a slush fund. The Security Council directed the administration to use these funds in a transparent manner for the benefit of the Iraqi people. The Security Council passed Resolution 1483 which set up the International Advisory and Monitoring Board to make sure the Bush administration lived up to its obligations.

But the Bush administration has not complied with this resolution. Reports from auditors at KPMG, an independent certified public accounting firm, as well as the Coalition Provisional Authority's own inspector general, have found that the Bush ad-

ministration failed to properly account for Iraqi funds.

KPMG said the Bush administration had inadequate accounting systems, inadequate recordkeeping, and inadequate controls over Iraqi oil proceeds. It reported that the administration's entire accounting system consisted of only one contractor maintaining excel spread sheets. That is one person for \$20 billion.

Likewise, the inspector general concluded that the Bush administration had no effective contract review tracking and monitoring system and that it failed to demonstrate the transparency required.

These actions merit a full congressional investigation. They are compounded by evidence that the Bush administration is now ac-

tively blocking efforts to account for these funds.

For 6 months, the Bush administration has been withholding documents from international auditors charged by the Security Council to oversee the administration's actions. In particular, the Bush administration is withholding documents about Halliburton's receipt of \$1.5 billion in Iraqi oil proceeds.

The auditors have made seven distinct requests for this information, including a letter from the Controller of the United Nations directly to Ambassador Bremer. But the administration has repeatedly refused to provide the documents, and continues to do so today.

Three months ago, the international auditors ordered a special audit of the contract with Halliburton, but again the Bush administration has obstructed their work. Administration officials have refused to approve the audit's statement of work and refused to issue a request for proposal. The special audit has simply languished inside the Department of Defense.

At this committee previous hearing, Mr. Claude Hankes-Drielsma, an advisor to the Iraqi Governing Council, testified that the Bush administration was not properly accounting for Iraqi funds. Ambassador Kennedy, who is here again today, could not explain why the Bush administration failed to follow its own rules and hire an accounting firm to manage the Iraqi oil proceeds. And the administration failed to adequately respond to the questions for the record we sent jointly regarding the DFI.

These actions are hypocritical, they are arrogant, they breed resentment in the Arab world and they further deteriorate our global alliances, but most of all they undermine our efforts in Iraq because they reinforce the image that our primary objective in Iraq

was to seize control of the country's oil wealth.

If we are going to examine how Iraq's oil money has been spent, which I believe we should, we need to proceed in a fair and transparent way; and if we refuse to ask tough questions about the conduct of our own government officials, our efforts will have little

credibility in the eyes of the world.

After the opening statements today, I am going to make a motion for subpoenas so that we can continue the investigation of the success or failure of the U.N. Oil-for-Food Program which was run by the United States. I am going to ask for subpoenas, which we asked for, by the way, when subpoenas were issued for this investigation. We asked for subpoenas on the same basis that we needed a subpoena, for example, for the corporate banking operations of BNP Paribas to give us the documents which the chairman is going to make public today. Those documents would not be turned over without a subpoena.

Documents will not be turned over to us from the Federal Reserve Bank on the same basis. We need a subpoena to get them. We need further subpoenas as well, and I will be making a motion for both subpoenas to be issued so that while we have our hearing today, we can be prepared to do the full investigation of what hap-

pened to the oil money after we took over.

We want to know what happened when the U.N. was running it; if there was corruption, if there was fraud, if there was a lack of transparency. But we have a special obligation to know what happened to that money when we took it over, if there was corruption, if there was fraud, if there was a lack of transparency. And so far the Bush administration is refusing to help in this investigation to know what happened after they ran those funds.

So I know, Mr. Chairman we are going to have the opening statements from the Members first. Before we then proceed to the first witness, I will make my motion for subpoenas. And as I understand it, you are going to ask that vote be held later, after the witnesses have testified, presumably because we have done too good a job of getting the Democrats here to vote, and the Republicans, unaware that the vote would be taking place, are not here in sufficient numbers. I understand that is in the chairman's discretion.

I want to vote. If it is a bipartisan vote, that would be great. I think we ought to have a bipartisan vote to get these subpoenas. If it is a partisan vote, well, I think the American people ought to know that the Republicans are going to vote to stop a real investigation of the actions of the Bush administration with regard to the use of those funds and particularly because of the Halliburton involvement.

[The prepared statement of Hon. Henry A. Waxman follows:]

Statement of
Rep. Henry A. Waxman, Ranking Minority Member
Committee on Government Reform
Before the
Subcommittee on National Security, Emerging
Threats, and International Relations
Hearing on The Iraq Oil-for-Food Program:
Cash Cow Meets Paper Tiger

#### October 5, 2004

Today, this committee is holding the fifth congressional hearing to investigate allegations of mismanagement in the U.N. Oil for Food Program. This humanitarian effort was established in 1995 to provide for the basic needs of Iraqis while U.N. sanctions were in effect.

Recently, there have been serious allegations of corruption, overpricing, and kickbacks under this program.

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But the Bush Administration has <u>not</u> complied with this resolution.

Reports from auditors at KPMG, an independent certified public accounting firm, as well as the Coalition Provisional Authority's own Inspector General, have found that the Bush Administration failed to properly account for Iraqi funds.

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Administration had no "effective contract review, tracking, and

monitoring system," and that it failed to "demonstrate the transparency
required."

These actions merit a full congressional investigation. They are compounded by evidence that the Bush Administration is now actively blocking efforts to account for these funds.

For six months, the Bush Administration has been withholding documents from international auditors charged by the Security Council to oversee the Administration's actions. In particular, the Bush Administration is withholding documents about Halliburton's receipt of \$1.5 billion in Iraqi oil proceeds.

The auditors have made seven distinct requests for this information, including a letter from the Controller of the United Nations directly to Ambassador Bremer. But the Administration has repeatedly refused to provide the documents, and continues to do so today.

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These actions are hypocritical, they are arrogant, they breed resentment in the Arab world, and they further deteriorate our global alliances. But most of all, they undermine our efforts in Iraq, because they reinforce the image that our primary objective in Iraq was to seize control of the country's oil wealth.

If we are going to examine how Iraq's oil money has been spent — which I believe we should — we need to proceed in a fair and transparent way. And if we refuse to ask tough questions about the conduct of our own government officials, our efforts will have little credibility in the eyes of the world.

Mr. Shays. I thank the gentleman. I also thank him for letting me know that he was going to make this motion, but I did not know in time to tell the Members. This is a hearing and I don't think they thought there would be votes, so I appreciate his letting us know.

At this time, the Chair would recognize the vice chairman, Michael Turner.

Mr. TURNER. Thank you, Chairman Shays, for holding this hearing and for continuing your efforts to continue to examine the Oil-

for-Food Program.

In our first hearing, we explored the accountability and integrity issues with the program. We discovered a lack of transparency and little accountability. Except for the actions of the United States and the United Kingdom, it appears that no one was bringing to light

the corruption in the program.

The Oil-for-Food Program at its creation was poised for corruption. The U.N. allowed Iraq to select not only the suppliers of food and medicine but also the buyers of Iraqi oil. The mechanisms established by the U.N. for controlling Oil-for-Food contracts were inadequate. Transparency was nonexistent, and an effective internal review of the program did not occur. We do not know if members of the Security Council were involved in any of the corruption, but enough ancillary information exists to question the objectiveness and credibility of the Security Council and the United Nations.

Mr. Chairman, I appreciate your continued leadership on this important issue. I appreciate your continued leadership on the issue of our continuing involvement in Iraq and its transition to democ-

racy.

Thank you, Mr. Chairman.

Mr. Shays. I thank the gentleman.

At this time the Chair would recognize Mr. Tierney.

Mr. TIERNEY. Mr. Chairman, thank you. I share your concern about the diversion of Iraqi oil proceeds through graft, kickbacks, and other schemes designed to line the pockets of corrupt Iraqi leaders.

If I may, I would like to read an account about the corruption that occurred in Iraq under the management previously in charge. Mr. Said Abdul Kassam was the Iraqi official in charge of withdrawals at the Iraq central bank. He reported that there was no need to rob the bank in a daring heist with guns and masks, because the bank was robbed every day by the directors of the Iraqi ministries.

According to Mr. Kassam, they use up all the money they want to withdraw. If it's a big amount they can get it in big bags. If it's a small amount they get it in a box. But the directors general are those people who are withdrawing the money. They can take the money immediately from the bank and put it in their pockets.

Mr. Chairman, I regret to say that this didn't happen under the Oil-for-Food Program; it happened under the Development Fund for Iraq. When I mentioned the previous management, I was talking about this country, the U.S. administration. The account was from an NPR series called "Spoils of War" and it highlights just how dysfunctional the Bush administration's management of DFI funds actually was. There was virtually no monitoring of what hap-

pened to Iraqi funds once they left the hands of this administration's officials.

Indeed, according to the Wall Street Journal article published on September 17, the Coalition Provisional Authority's own inspector general has now completed a report finding that the Bush administration, "hasn't demonstrated it kept much control over any of the assets it seized following the war."

In particular, the IG study reportedly concludes that the Bush administration failed to account for \$8.8 billion in DFI funds that were transferred to Iraqi ministries. According to the general report, the occupation government was unable to say for sure whether the money it disbursed was spent properly, or even spent at all.

It is amazing that we have held hearing after hearing about the United Nations; management of the Oil-for-Food Program, which I agree we should. I think you are on the right track, and that is necessary. But we have not held even one hearing on this administration's mismanagement of Iraqi oil proceeds, and I agree with Mr. Waxman that is equally as important to the credibility of this country if we are going to really look at the situation and have the respect of the world, knowing that we are trying to be transparent and get to the bottom of how these moneys were expended.

How can we expect the rest of the world to follow this administration's example? How can we expect them to comply with Security Council resolutions when the Bush administration ignores them?

Mr. Chairman, we do no service to the administration by allowing them to proceed in this manner. I urge the committee to immediately address these issues and exercise meaningful oversight as well as continue our hearing process on the U.N. Oil-for-Food Program, but we must be resolute about all of the improprieties or lapses.

Thank you. I yield back.

Mr. Shays. I thank the gentleman.

At this time the Chair would recognize Mr. Duncan. Mr. DUNCAN. Thank you very much, Mr. Chairman.

A few years ago, 60 Minutes did a report on the scandalously high level of waste, fraud, and abuse occurring at the United Nations, much of it with American money. But this Oil-for-Food Program scandal really takes the cake, and so I appreciate very much your continuing to look into this situation and hold these hearings.

Through this program, Saddam Hussein obtained \$10.1 billion in illegal revenues. I remember hearing a talk a few months ago by Charlie Cook, the very respected political analyst, and he said that people really can't comprehend a figure over \$1 billion. And it is difficult to think of how much money \$10.1 billion is. This money was mostly squandered on Hussein's palaces, luxury cars, and lavish lifestyle that he and his family were living. This theft was made possible, apparently, by surcharges, illegal kickbacks, and abuse by U.N. personnel and by the lackadaisical and inept attitude of—and greedy attitude, really, of some of the companies involved that we will hear from today.

The Wall Street Journal reported in an editorial what a lot of business the U.N. did. Mr. Annan, Kofi Annan's Secretariat and his staff collected more than \$1.4 billion in commissions on these sales.

But during this time the U.N. was doing almost nothing to really push weapons inspections and other things that they should have

been doing in Iraq.

The U.N. Oil-for-Food Program was the largest humanitarian effort in U.N. history. Unfortunately, it has now become the shining example of everything that is wrong with this organization. The United States pays one-fourth of the operating expenses of the United Nations, one-third of the money to many of the other U.N. programs, and mostly as much as 90 or 95 percent on most of the U.N. peacekeeping operation. If the U.N. cannot provide any better oversight than what we see through this program, then surely our tax dollars can be spent better elsewhere, particularly at a time when we have a \$7½ trillion national debt, and deficits running in the \$400 to \$500 billion range.

Thank you, Mr. Chairman.

Mr. Shays. Thank the gentleman.

And the Chair at this time would recognize Ms. Watson.

Ms. Watson. Mr. Chairman, thank you. I think it is critical for Congress to address the serious questions surrounding the Bush administration's deficit management of Iraqi oil proceeds and other

funds in the Development Fund for Iraq.

We made a commitment to the Iraqi people, a promise that we would spend their money for their benefit, and we do have to remember that it is their money. We also promised to spend it in a transparent manner so the entire world would know that we were managing their funds properly and are not allowing graft, corruption, and mismanagement to infiltrate our mission there.

Unfortunately, Mr. Chairman, it appears that the Bush administration has failed to live up to those commitments. Auditors at the CPA's own Inspector General's Office have issued a report that is extremely critical of the administration's management of Iraqi funds in the Development Fund for Iraq. In particular, the inspector general's report criticizes actions by the administration's con-

tracting activities office in Iraq.

If I may, I would like to read just a short portion of the report. The CPA contracting activity had not issued standard operating procedures or developed an effective contract review tracking and monitoring system. In addition, contract files were missing or incomplete. Further, contracting officers did not always ensure that contract prices were fair and reasonable, contractors were capable of meeting delivery schedules, and payments were made in accordance with contract requirements.

This occurred because the CPA contracting activity did not provide adequate administrative oversight and technical supervision over the contracting actions completed by procuring contracting officers as required. As a result, the CPA contracting activity was not accurately reporting the number of contracts actually awarded by the CPA contracting activity. This hindered the CPA contracting activity's ability to demonstrate the transparency required of the CPA when it awarded contracts using DFI funds.

Mr. Chairman, this is an indictment of the administration's en-

tire management approach to the funds of the Iraqi people.

The inspector general went on to warn that because contract files were not adequately maintained, they cannot be relied upon to en-

sure compliance or to be used as a source for congressional report-

ing.

How are we in Congress supposed to be able to conduct our oversight responsibilities when the information is not reliable? The inspector general's report found that of the contracts they analyzed, 67 percent had incomplete or missing documentation. Sixty-seven percent, Mr. Chairman. This is a horrendous record.

Finally, the inspector general provided its fundamental conclusion about the administration's stewardship of these Iraqi funds. The inspector general reported we do not believe that transparency can be achieved when pertinent data is unavailable or inaccurate.

Mr. Chairman, this is an embarrassment to our country. The Bush administration has failed to comply with Security Council Resolution 1483 and we need to take action.

Thank you Mr. Chairman.

Mr. Shays. I thank the gentlelady.

[The prepared statement of Hon. Diane E. Watson follows:]

Subcommittee on National Security, Emerging Threats and International Relations

"The UN Oil-for-Food Program: Cash Cow Meets Paper Tiger"

Congresswoman Diane E. Watson October 5, 2004

Mr. Chairman, I think it is critical for Congress to address the serious questions surrounding the Bush Administration's deficient management of Iraqi oil proceeds and other funds in the Development Fund for Iraq.

We made a commitment to the Iraqi people, a promise, that we would spend their money for their benefit – and we do have to remember that it is THEIR MONEY. We also promised to spend it in a transparent manner so the entire world would know

that we were managing their funds properly and not allowing graft, corruption, and mismanagement to infiltrate our mission there.

Unfortunately, Mr. Chairman, it appears that the Bush Administration has failed to live up to these commitments.

Auditors at the CPA's own Inspector General's office have issued a report that is extremely critical of the Administration's management of Iraqi funds in the Development Fund for Iraq.

In particular, the Inspector General's report criticizes actions by the Administration's "Contracting Activity" office in Iraq.

If I may, I would like to read just a short portion of this report. It states:

'The CPA Contracting Activity had not issued standard operating procedures or developed an effective contract review, tracking, and monitoring system. In addition, contract files were missing or incomplete. Further, contracting officers

were fair and reasonable, contractors
were capable of meeting delivery
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CPA Contracting Activity's ability to

demonstrate the transparency required of
the CPA when it awarded contracts using

DFI funds."

Mr. Chairman, this is an indictment of the Administration's entire management approach to the funds of the Iraqi people.

The Inspector General went on to warn that because "contract files were not adequately

maintained," they "could not be relied upon to ensure compliance . . . or be used as a source for Congressional reporting."

How are we in Congress supposed to be able to conduct our oversight responsibilities when the information is not reliable, Mr. Chairman?

The Inspector General's report found that, of the contracts they analyzed, "67 percent . . . had incomplete or missing documentation."

67%, Mr. Chairman! That is a horrendous

record.

Finally, Mr. Chairman, the Inspector General provided its fundamental conclusion about the Administration's stewardship of these Iraqi funds.

The Inspector general reported:

"We do not believe that transparency can be achieved when pertinent data is unavailable or inaccurate."

Mr. Chairman, this is an embarrassment to our country. The Bush Administration has failed to

comply with Security Council Resolution 1483. And we need to take action.

Mr. Shays. At this time the Chair would recognize Mr. Murphy.

Mr. Murphy. Thank you, Mr. Chairman.

The focus of today's hearing is really twofold. First, to investigate the structural weaknesses that made the Oil-for-Food Program vulnerable to diversion and exploitation; and second, to determine the steps Oil-for-Food Program manager and contractors took to pre-

Now, we could spend all day just on point No. 1, but sadly I think the answer is staring us all in the face. The evidence uncovered over the last year by several different investigations cast little doubt that one of the fundamental problems with the U.N. Oil-for-Food Program was that the U.N. was running it, fueled by the

greed and complicity of other countries.

Despite repeated criticisms and questions of concern, U.N. member countries and U.N. personnel continually turned a blind eye to the corruption of a program designed to get humanitarian assistance to the people living under one of the most corrupt regimes in the world. We knew Saddam Hussein was corrupt, and his tactics of ruthless violence were a way of life. One would think the U.N. would be aware of this and structure the program in such a way so as to guard against it. One would think that attempts by Hussein to evade the sanctions through this program would be anticipated, and thus steps taken to counter his money-making scheme from the beginning, rather than trying to put out fires after the

Rather, it appears as if the Oil-for-Food Program went out of its way to encourage scandal and the illicit use of humanitarian contracts to line the pockets of Saddam Hussein and his cronies.

Now, the United States gave millions in lives to France in World War I, World War II, and Vietnam. Yet they turned their backs on us when faced with Hussein's ever-increasing threat to the international community.

France and Russia had two choices: Help us militarily, or intervene directly with Saddam Hussein to cooperate with weapons inspectors and stop his murderous regime. They did neither. Why didn't these countries step forward? Perhaps it had something to do with the fact that evidence suggests Russia was the recipient of 1.366 billion barrels of oil through Hussein's voucher scheme. And French companies close to President Chirac also benefited from Saddam's power. They were up to their ears in corruption, and the financial benefit of keeping Saddam Hussein in power weigh more heavily than their friendship with the United States.

Corruption in the Oil-for-Food Program enriched Hussein to the tune of \$10.1 billion, enough to buy and build more weapons, more clandestine activity and further undermine the entire U.N. sanc-

tions program.

There was one line in the subcommittee's background memo that really sums up the problem with the program, "The Oil-for-Food Program was essentially run by Saddam Hussein."

How is it that the U.N. could allow the terms of a program meant to punish a tyrannical leader, while offering assistance to the very people that suffered under him to be dictated by that very tyrant? It is because the current nature of the U.N. is to be soft on terrorism and the world leaders that support it.

The spineless U.N. produced paper tigers in the form of resolutions that had no teeth. Time and again, the U.N. told Saddam Hussein and terrorists that the U.N. was all talk and no followthrough. And the world has reaped the grim harvest of that approach: more terrorists emboldened by the U.N.'s weaknesses.

According to classified documents reviewed by the subcommittee, the U.N. created and encouraged an environment whereby Russia, France, China, and Syria, all nations standing to gain financially by the continued support of Saddam's government, continually blocked efforts by the United States and the United Kingdom to maintain the integrity of the Oil-for-Food Program. And all of those countries sat on the U.N. Security Council.

The contractors responsible for inspecting shipments coming in and out of Iraq were also undermined by the U.N. Oil-for-Food Program policies. If the obstacles by Iraqi personnel were not enough, the U.N. denied the contractors the staff and the authority necessary to enforce inspection standards. One example given was an instance in which Saybolt was unable to prevent the transfer of oil onto a ship with expired letters of credit. If the inspectors had no

enforcement powers, why have inspectors at all?

Now, some may question why Congress is so interested in this issue. Our interest in the U.N.'s involvement in Iraq goes far beyond the Oil-for-Food Program. As the United States continues to fight terrorists in Iraq, our level of cooperation with the U.N. has been called into question. Yet, if France and Russia and the U.N. knowingly undermined the mission of the Oil-for-Food Program and knowingly undermined the efforts to stop Saddam Hussein, this Congress has a responsibility to ask who our allies are and who the U.N. is supporting.

When some critics of the Iraq war claim our actions did not pass a global test, we must remember what interests the global community truly values. As I said before, we have given the French millions of our soldiers' lives, and they have given us the cold shoulder. France has repeatedly turned to us for help. In response, they have turned their back on us. The Oil-for-Food corruption scandal

may be the answer of why.

When the United States continues to foot the bill for U.N. peace-keeping missions, when the U.N. is unwilling to support us in our efforts to protect our own citizens, if winning the approval of the European countries of the U.N. for U.S. policy is the global test, maybe we should reconsider and question the reliability and supposed altruism of those sitting in judgment.

I yield back my time, Mr. Chairman. Mr. Shays. Thank the gentleman.

At this time, the Chair would recognize the distinguished gentleman from Vermont, Mr. Sanders.

Mr. SANDERS. Thank you very much, Mr. Chairman.

I don't think there is any disagreement on this committee about the importance of investigating the U.N. Oil-for-Food Program. It is important to know how American dollars being contributed to the U.N. were spent and how the corrupt Saddam Hussein regime ended up stealing money that should have gone to hungry people in Iraq. So I have no objection about investigating that important issue.

But I think it is equally important not only that we investigate what the U.N. does with American taxpayer money, it is equally important to investigate what the Bush administration and the

U.S. Government does with American taxpayer moneys.

You know, Mr. Chairman, I have been on this committee for more than a few years, and I can recall very clearly that during the Clinton administration this committee held dozens upon dozens of hearings to investigate every single allegation relating to the Clinton administration, no matter how off-the-wall those allegations were. We investigated the Vince Foster suicide. We investigate the Monica Lewinski, so-called Travelgate, Whitewater, ad infinitum, on and on and on. However, rather amazingly, during the Bush administration this committee has not held one substantive hearing to investigate any serious allegation against the Bush administration. And why is that important? It is important because we have a Republican administration. We have a Republican Senate. We have a Republican House. And it is the moral obligation under the Constitution of the United States that the Congress provide oversight to any administration; otherwise the government doesn't work.

Yes, it is easy to beat up an administration from another party. We all know that. But we as Members of Congress have the responsibility to take a hard look at what any administration does, regardless of what party they are. And all over this country I think there is a growing concern, that the U.S. Congress has abdicated

its oversight responsibility.

All over America people are asking, why did we in fact go to war? And I know there are two sides to the issue. This committee hasn't looked at the rationale for going to war in Iraq. We haven't looked at the leak of the names of CIA agents. We haven't looked at the fact that the Medicare actuary was threatened with being fired if he actually told Members of Congress the truth about how much money the prescription drug program would cost. We haven't taken a look at the Cheney energy task force.

Especially when we come to issues like Halliburton, we have a double responsibility. Everybody here knows that the Vice President of the United States used to be the CEO of Halliburton. Now, I am not casting any aspersions on what has happened. But all over this country people want to know, did Halliburton get a special deal? How come they got no bid contracts? How come billions of dollars went to Halliburton? Now, how come we are not looking

at that issue?

So, Mr. Chairman, what I would simply say is, yeah, let's take a hard look at what the U.N. did. And while I know it is easy to beat up on France and Germany, it might be a little bit more difficult but may be of more interest to the American people to take a hard look at what goes on at the Bush administration.

I yield back.

Mr. Shays. I thank the gentleman.

At this time the Chair would recognize Mr. Lynch from Massachusetts

Mr. LYNCH. Thank you, Mr. Chairman.

I too believe that there is a very strong need to carry out a thorough investigation into the circumstances. I would like to focus on,

however, with the Ambassador's cooperation, the facts that led us to this point. Now, here we have a situation where this Oil-for-Food Program was established back in 1995, after we had fought the first Gulf war, and it was established specifically because Saddam Hussein had run that country into the ground. He had failed to address the infrastructure needs and the humanitarian needs of his own people. He had used the country's natural resources as his own slush fund. He had used the basic funds that were in the treasury, the national treasury, at his own pleasure. He had ignored the basic health and welfare of his citizens in favor of a mili-

tary buildup.

Saddam Hussein waged wars against Iran and invaded Kuwait. He had fired SCUD missiles into the civilian populations of Israel. And we fought a war to remove him from power, to remove him from Kuwait initially. And even with the evidence of his own atrocities and the evidence of the corrupt activities between him and his son, squandering the wealth of that country and abusing its citizens, after the United States took a leadership role in establishing this fund, in deciding who would contract for the Iraqi people, with this fund of \$20 billion, after that worldwide search for who would negotiate and who would control the terms for the Iraqi people, the responsibility was given to those same people: Saddam Hussein and his thugs, his family, the people that have been abusing that country for the previous 40 years. That was the colossal failure here, that we allowed Saddam Hussein to call the terms of that agreement, and he had the support of some of our international neighbors in getting the most favorable terms, having a private bank handle this.

We could not get information under the arrangement that was agreed to between the United Nations, Kofi Annan, Secretary General, and Saddam Hussein and his regime. How did we ever allow ourselves to be put in this position? How did we allow the victims here—and there are three sets of victims—one, the Iraqi people. This was their national wealth. This was their country, their resources; the American taxpayer footing the bill again; and also the credibility of the United Nations.

There are great misgivings here because of what has gone on. There is a definite—I haven't been on this committee that long. I have come to this committee recently. I have been here, this will be almost 3 years I have been on this committee. But I can tell you there is a definite reluctance on this committee to investigate anything.

I am still waiting, after three meetings with the Defense Department, to get the names of some Halliburton individuals whom they have removed for bribery and corrupt practices with individuals in Iraq and in the Middle East. On an investigatory committee in the Congress, and we can't get the names of our own people when they have conceded that they were involved in bribery and corrupt practices in which the taxpayers' funds have disappeared in the millions.

We need to do our job here, and I believe we will get to it eventually. But there has been tremendous wrongdoing here, and we have to step up to the plate and do what the American people have asked us to do: Get to the bottom of this.

I yield back Mr. Chairman. Thank you.

Mr. Shays. I thank the gentleman very much.

And, Mrs. Maloney, you're next.

Mrs. Maloney. Thank you. Thank you very much, Chairman Shays, and I thank also Ranking Member Waxman for your holding this important hearing. And welcome, Ambassador Kennedy.

It's good to see you again.

I think that we learned a great deal last April at our hearing, but since the appointment of Paul Volcker and the independent inquiry of the Oil-for-Food Program, there is much, much more to understand. I do believe that it is very important that we as an oversight body in Congress look at the U.N. and their financing, but we must also look at the finances and how we as a government handled the funds. We need to look at that equally. And I have some grave concerns that some of my colleagues have raised today in their testimony of the stewardship of the Iraqi oil proceeds and the successor to the Oil-for-Food Program, the Development Fund for Iraq which we created.

As was mentioned, on May 22, 2003, after the United States took control of Iraq, the U.N. Security Council passed Resolution 1483, formally transferring the Oil-for-Food assets to a new Development Fund for Iraq, and placing them under the authority of the Coalition Provisional Authority which was headed by Bremer. Resolution 1483 directed the Bush administration to spend these funds on behalf of the Iraqi people. The Security Council also imposed other restrictions, and I think these restrictions are important. And in the testimony today, I want to know why we didn't follow them.

And I will give several examples:

The Security Council required the administration to deposit all oil-sale proceeds into the Development Fund for Iraq, which is held by the central bank of Iraq at the Federal Reserve Bank of New York.

The Security Council required that all deposits to and spending from the Development Fund of Iraq be done, "in a transparent manner."

And the Security Council required that the administration ensure that the Development Fund for Iraq funds were used to meet the humanitarian needs of the Iraqi people, and for other purposes

benefiting the people of Iraq.

To ensure that the administration complied with these requirements, the Security Council created the International Advisory Monitoring Board to oversee these actions, the IAMB board. The Board was envisioned as the primary vehicle for guaranteeing the transparency of Iraqi funds. When the Bush administration assumed responsibility for these funds, it explicitly agreed to these terms.

On August 19, 2003, Ambassador Bremer issued a memorandum stating as follows, "As steward for the Iraqi people, the CPA will manage and spend Iraqi funds which belong to the Iraqi people for their benefit. They shall be managed in a transparent manner that fully comports with the CPA's obligations under international law, including Resolution 1483 of the United Nations."

But, Mr. Chairman, the administration has not complied with the resolution and I do not believe that the requirements were very strict. The administration took in, as Mr. Waxman noted, a total of \$20.6 billion while it controlled this Development Fund in Iraq. On July 15, 2004, the oversight board issued its first audit report on the administration's stewardship of Iraqi funds, and this report was conducted by KPMG, which happens to be headquartered in the district I represent, the same international certified public accounting firm reviewing the Oil-for-Food Program. So we had the

same auditor for both programs.

KPMG criticized the administration for, "inadequate accounting systems, inadequate recordkeeping, inadequate controls over Iraqi oil proceeds. On the most basic level, KPMG found that the administration failed to follow its own policy, to hire a certified public accounting firm. According to the KPMG report, the CPA was required to obtain the services of an independent certified public accounting firm to assist in the accounting function of the Development Fund of Iraq. But our administration, the current administration never did so. In addition, the sum total of the accounting system used by the administration consisted of—this is directly out of the KPMG report, "excel spread sheets and pivot tables maintained by one individual."

The KPMG report concluded as follows: "the CPA senior advisor to the Ministry of Finances, who is also chairman of the Program Review Board, was unable to acknowledge the fair presentation of the statement of cash receipts and payments, the completeness of significant contracts entered into by the DFI and his responsibilities for the implementation and operations of accounting and internal control systems designed to prevent detect fraud and error."

I believe these are very serious findings. They basically say that the United States has failed to comply with the transparency and accountability requirements set forth by the United Nations in the

Security Council Resolution 1483.

So I look forward to the opportunity to question Ambassador Kennedy about these serious problems. Truly having accountable and transparency over money is a very important role of government. We try to do this in our own government, and we certainly should bring the same standards to moneys that we oversaw in Iraq.

So, again, I thank the chairman and the ranking member for their continued oversight. It is important, and I look forward to the opportunity to question Mr. Kennedy.

Mr. Shays. I thank the gentlelady.

[The prepared statement of Hon. Carolyn B. Maloney follows:]

Statement by Congresswoman Carolyn B. Maloney
Government Reform Subcommittee on National Security, Emerging Threats and
International Relations
Hearing: "The UN Oil-for-Food-Program: Cash Cow Meets Paper Tiger"
October 5, 2004
2154 RHOB

I'd like to thank Congressman Shays and Ranking Member Kucinich for holding this important hearing today.

I think we learned a great deal last April, but since the appointment of Paul Volcker and the Independent inquiry of the Oil-For-Food Program (OFFP) there is much more to understand.

It's important that look at the UN but we must also look at ourselves.

Mr. Chairman, I too have grave concerns about the Bush Administration's poor stewardship of Iraqi oil proceeds in the successor to the Oil for Food program, the Development Fund for Iraq.

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As mentioned, on May 22, 2003, after the United States took control of Iraq, the U.N. Security Council passed Resolution 1483, formally transferring the Oil for Food assets to a new Development Fund for Iraq and placing them under the authority of the Coalition Provisional Authority.

Resolution 1483 directed the Bush Administration to spend these funds on behalf of the Iraqi people. The Security Council also imposed other restrictions. For instance:

- The Security Council required the Administration to deposit all oil sale proceeds into the DFI, which is held by the Central Bank of Iraq at the Federal Reserve Bank of New York;
- The Security Council required that all deposits to, and spending from, the DFI be done "in a transparent manner;" and

• The Security Council required the Administration to ensure that DFI funds were used "to meet the humanitarian needs of the Iraqi people . . . and for other purposes benefiting the people of Iraq."

To ensure that the Administration complied with these requirements, the Security Council created the International Advisory and Monitoring Board (IAMB) to oversee your actions.

This Board was envisioned as the primary vehicle for guaranteeing the transparency of Iraqi funds. When the Bush Administration assumed responsibility for these funds, it explicitly agreed to these terms. On August 19, 2003, Ambassador Bremer issued a memorandum stating as follows:

"As steward for the Iraqi people, the CPA will manage and spend Iraqi Funds, which

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belong to the Iraqi people, for their benefit.... [T]hey shall be managed in a transparent manner that fully comports with the CPA's obligations under international law, including Resolution 1483."

But Mr. Chairman, the Administration hasn't complied with the resolution.

The Administration took in a total of \$20.6 billion while it controlled the DFI. On July 15, 2004, the IAMB issued its first audit report on the Administration's stewardship of Iraqi funds. This report was conducted by KPMG, the same international certified public accounting firm reviewing the Oil for Food program.

KPMG criticized the Administration for "inadequate accounting systems," "inadequate record keeping," and "inadequate controls" over Iraqi oil proceeds.

On the most basic level, KPMG found that the Administration failed to follow its own policy to hire a certified public accounting firm.

According to the KPMG report, "the CPA was required to obtain the services of an independent, certified public accounting firm to assist in the accounting function of the DFI." But it never did so.

In addition, the sum total of the "accounting system" used by the Administration consisted only of "excel spreadsheets and pivot tables maintained by one individual."

The KPMG report concluded as follows:

The CPA Senior Advisor to the Ministry of Finance, who is also Chairman of the Program Review Board (PRB), was unable to acknowledge the fair presentation of the statement of cash receipts and payments, the

completeness of significant contracts entered into by the DFI and his responsibilities for the implementation and operations of accounting and internal controls systems, designed to prevent and detect fraud and error.

Mr, Chairman, these are serious findings. They basically say that the United States, the Bush Administration, has failed to comply with the transparency and accountability requirements set forth in Security Council Resolution 1483.

I look forward to asking Ambassador Kennedy about these serious problems.

Mr. Shays. And at this time, the Chair would recognize Mr. Ruppersberger.

Mr. Ruppersberger. Sure. Mr. Chairman, I come to this hearing today with many concerns. My first concern is about the allegations that have been made and the way they are being investigated.

There are three main charges that have been levied: overpricing by the Saddam regime; kickbacks made by the companies contracting with Saddam through the program, and what Saddam used that money for; and three, corruption within the U.N. itself in running the Oil-for-Food Program.

These are all very serious allegations, and if any or all of them are proven to be true, those individuals proven to be guilty of illegalities and wrongdoing should be brought to full and complete jus-

tice. On that I believe we can all agree.

I have serious concerns about the number of investigations occurring, the leaks to the media, the potential of mishandling of valuable evidence, and the use of the court of public opinion, the media and others, rather than allowing the Paul Volcker investigation to

complete its work.

When we last met in April to discuss the same issue, Members of both sides of the aisle praised the unprecedented commissioning of an independent investigation by Kofi Annan and the appointment of Mr. Volcker. Since then, Mr. Volcker has had to assemble a staff, enter into the memorandums of agreement with multiple investigations, assemble and review a decade worth of documents, and all the while answer to U.N. member states, all with vested interests, including the United States. And that is no easy task.

I am concerned that the current investigations are being politicized and the evidence submitted is being leaked before it is ever

vetted, authenticated, or corroborated.

I am concerned that this is turning out to be an inductive investigation rather than a deductive investigation. And I know that is the wrong way to conduct a credible investigation.

I urge caution as we proceed further. Let's consider a few facts: The first, the Oil-for-Food Program is no longer in existence and therefore the rush to judgment may do more harm than good.

Second, Mr. Volcker has promised a full and complete investigation report to member states by mid-2005, and we should allow that investigation to conclude before condemning a report that has yet to be written.

Three, we are fighting a global war on terrorism that requires international involvement, including the U.N. damaging the reputation of any politician, national leader, ally, or international institution at this time, this delicate time, without a full vetting of the facts is simply premature and dangerous. We must follow the facts, and I am glad to see that the chairman has called these witnesses to deal with two of the three main allegations head on.

I would hope that the same will be done with the allegations resting on the al-Mada, which is the Iraqi newspaper-published list, and all who possess or witnessed those documents at one time. And I would like to hear from the al-Mada editor-in-chief, from KPMG, Patton Boggs, Fresh Fields, Bucas Derringer, Paul Bremer, Claude Hankes-Drielsma, to address those documents which are the starting point of this scandal.

I also think it would be useful to bring an authentification expert before this committee to discuss authentification and how it is done and what it means and why it is so important. Ultimately, I think we must allow Mr. Volcker to carry out this investigation, to look at the facts and evidence, to look at his conclusions, and then decide as a Nation what is our best interest to do next.

Thank you, Mr. Chairman.

Mr. Shays. I thank the gentleman.

[The prepared statement of Hon. C.A. Dutch Ruppersberger follows:]

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Congressman C.A. Dutch Ruppersberger
Subcommittee on National Security, Emerging Threats,
and International Relations Hearing
The UN Oil-For-Food Program: Cash Cow Meets Paper Tiger
Opening Remarks
10.05.04

Thank you Mr. Chairman. I come to this hearing today with many concerns. My first concern is about the allegations that have been made and the way they are being investigated. There are three main charges that have been levied:

- 1. Overpricing by the Saddam regime
- 2. Kickbacks made by the companies contracting with Saddam through the program and what Saddam used that money for
- 3. And corruption within the UN itself in running the Oil for Food program.

These are all very serious allegations and, if any or all of them prove to be true, those individuals proven to be guilty of illegalities and wrongdoing should be brought to full and complete justice. On that, I believe we can all agree. I have serious concerns about the number of investigations occurring, the leaks to the media, the potential of mishandling valuable evidence, and the use of the court of public opinion by the media and others rather than allowing the Paul Volcker investigation to complete its work.

When we last met in April to discuss this same issue, members on both sides of the aisle praised the unprecedented commissioning of an independent investigation by Kofi Annan and the appointment of Mr. Volcker. Since then, Mr. Volcker has had to assemble a staff, enter into Memorandums of Agreement with multiple investigations, assemble and review a decade worth of documents – and all the while answer to UN Member States all with vested interests including the United States. That is no easy task.

I am concerned that the current investigations are being politicized and the evidence submitted is being leaked before it is ever vetted, authenticated, or corroborated. I am concerned that this is turning out to be an inductive investigation rather than a deductive one and I know that is the wrong way to conduct a credible investigation.

I urge caution as we proceed further. Let's consider a few facts.

- 1. First, the Oil For Food program is no longer in existence and therefore the rush to judgment may do more harm than good.
- 2. Second, Mr. Volcker has promised a full and complete investigation report to Member States by mid 2005 and we should allow that investigation to conclude before condemning a report that has yet to be written.
- 3. Third, we are fighting a global war on terrorism that requires international involvement including the UN. Damaging the reputation of any politician, national leader, ally or international institution at this delicate time without a full vetting of the facts is simply premature and dangerous.

I have always said we must follow the facts and I am glad to see that the chairman has called these witnesses to deal with two of the three main

allegations head on. I would hope that the same will be done with the further allegations resting on the Al Mada published lists and all who possesses or witnessed those documents at one time.

I would like to hear from the Al Mada editor and Chief, from KPMG, Patton Boggs, Freshfields Bruckhaus Deringer, Paul Bremer and Hanks Claude Drielsma to address those documents – which are the starting point of this scandal. I also think it would be useful to bring an authentification expert before this committee to discuss authentification, how it is done, what it means, and why it is so important.

Ultimately, I think we must allow Mr. Volcker to carry out his investigation – to look at his facts and evidence – to look at his conclusions – and then decide as a nation what is in our best interest to do next.

Thank you Mr. Chairman

Mr. Shays. At this time I would like to make a unanimous consent that Doug Ose, a member of the full committee and chairman of the Regulatory Affairs Subcommittee be allowed to participate in this hearing. Without objection, so ordered, and at this time I would welcome any statement that Mr. Ose would like to make.

Mr. Ose. Thank you, Mr. Chairman. I was listening with particular attention to Mr. Ruppersberger's remarks about this being an inductive investigation as opposed to a deductive investigation. It seems like we have had a lot of rhetoric today about, you, know

who is guilty and who is not.

I just want to go back to a couple of uncontested facts. The Oilfor-Food Program was established in April 1995 pursuant to U.N. Security Council Resolution 986. And the food actually started to flow in December 1996. So there was about a year-and-a-half drag between the time it was authorized and the time it was actually implemented. And interestingly enough, the first known request for any examination of the program in terms of fraud or lack of transparency occurred in the first few days of March 2001.

So for 5 years, from December 1996—4½ years, from December 1996 to March 2001, this program just sailed along without over-

sight interest or monitoring.

Pursuant to the request in early March 2001 that the 661 committee actually look at this issue, on March 7, 2001 Kofi Annan actually sent a notice to Iraq, saying they have to clean up their act. Again, from the time of December 1996 to March 2001, nobody paid any attention. The perpetrators of the scam set the rules. The U.N.

signed off on it, and the administration turned a blind eye.

However, in early March 2001 that changed. Finally somebody in the administration did something and brought to the attention of the 661 committee allegations that fraud and lack of transparency were occurring. I think the record needs to be very clear on this issue. But the only thing, this fraud that was taking place-excuse me—that's inductive. The only time that we finally got around to examining whether fraud was taking place was in March 2001. The people who approved the program in the mid-nineties turned a blind eye to it. The Security Council's 661 committee, they just said, just do it; don't bother us with the details.

But in March 2001, somebody finally started asking the hard questions. What changed? I hope we examine that issue. What changed from the mid-nineties to March 2001, so that the questions finally started getting asked? I think that is a central question to this thing, because you cannot uncover fraud. You cannot reverse years and years of practice by snapping your fingers or standing up here beating your chest. This culture got set up, it got established, it got ignored. And in March 2001, we finally called

them on it.

Mr. Chairman, I hope we get to the bottom of this.

Mr. Shays. Thank the gentleman.

I ask unanimous consent that all members of the subcommittee be permitted to place an opening statement in the record and the record will remain open for 3 days for that purpose. And, without objection, so ordered.

I would ask further unanimous consent that all Members be permitted to include their written statement in the record, and, without objection, so ordered.

We have a representative of the French Embassy, but I think we will have to just make a statement and leave a document. But I think I will first ask Mr. Waxman to make his motion and then we

will put that on the table.

Mr. Waxman. Thank you, Mr. Chairman. I have two separate motions for subpoenas. The first one is a subpoena under House rule 11(2)(k)(6). On July 8 this committee issued a subpoena to the French bank, BNP Paribas, which was responsible for maintaining the Oil-for-Food escrow account controlled by the U.N. When the committee issued the subpoena, the argument by the chairman and others was that a subpoena was necessary because the bank could not legally cooperate with this committee's inquiries unless it had the legal protection afforded by a subpoena. In other words, they wanted to cooperate, we were told, but they needed to have the subpoena for legal reasons.

Mr. Chairman, my subpoena is for the Federal Reserve Bank of New York. This is the bank that maintains the Development Fund for Iraq which was run by the Bush administration from May 2003 to June 2004. Just as you asked the French bank for documents relating to the inflow and outflow of funds under the Oil-for-Food Program, we ask for identical documents from the Federal Reserve

Bank.

In fact, the language of my subpoena tracks the broad language of your subpoena almost word for word, substituting references to the Oil-for-Food program with references to Development Fund for Iraq.

In making this motion, I want the record to reflect that the Federal Reserve Bank has expressed the exact same policy as the French bank. With respect to cooperating with this committee, they cannot respond to a simple letter of request, but they are more than willing to respond to a friendly subpoena, and I want to submit for the record an e-mail received from the counsel and vice president of the Federal Reserve Bank dated October 4, 2004.

It states as follows: "with respect to providing DFI account information to the Congress, we concluded as long as we are acting pursuant to a subpoena, we can provide DFI account information for the period that the DFI was operated by Ambassador Bremer without violating our contractual obligation to the Central Bank of

Iraq."

Mr. Chairman, we have an exactly parallel situation. We are talking about the same funds, the Iraqi oil proceeds, which were supposed to be used for the humanitarian benefit of the Iraqi people. We are talking about the financial institutions responsible for maintaining these funds, and we are talking about serious allegations of mismanagement. The only difference is that the United Nations controlled one set of funds, and the Bush administration controlled the other. I believe this committee's legitimacy will be judged by how it treats these two cases. We can choose to treat them equally in an even-handed manner, properly exercising our congressional oversight responsibilities or Mr. Chairman, you and your colleagues can attempt once again to use procedural machina-

tions to shield the Bush administration from embarrassment, and more importantly, from accountability.

My first motion is for the committee to issue a subpoena to Mr. Timothy Geithner, the president of the Federal Reserve Bank of New York, to produce the documents relating to the development fund for Iraq.

I ask unanimous consent that the e-mail be part of the record. Mr. Shays. Without objection, the e-mail will be part of the

[The information referred to follows:]

# Rapallo, David

----Original Message----

From:

na pa Sandara 🖰 Sent: Monday, October 04, 2004 7:43 PM To: Rapallo, David

Subject: Re: Inquiry re Development Fund for Iraq

Apologies that we could not connect by phone today.

I consulted with senior management today and we concluded that the DFI has had two rather distinct phases of operation. The first phase was from the inception of the DFI until sovereignty was returned to interim government of Iraq. The second phase is the period since sovereignty was returned to the Iraqis. Pursuant to international law and Presidential executive orders, Ambassador Bremer and the CPA controlled the DFI during the first phase of its operations. However, since the return of sovereignty, the DFI has been operated just like any other foreign official account our books - which is to say it has been controlled exclusively by the account holder, in this case the Central Bank of Iraq.

With respect to providing DFI account information to the Congress, we concluded that - as long as we are acting pursuant to a subpoena - we can provide DFI account information for the period that the DFI was operated by Ambassador Bremer without violating our contractual obligation to the Central Bank of Iraq to hold its account information in confidence or chilling the inclination of foreign countries to hold their international dollar reserves at the NY Fed. However, the situation is more complicated for the second phase of the DFI's operation.

The NY Fed holds more than \$1 trillion in assets belonging to over 200 foreign governments and central banks. The United States derives many benefits from the fact that so many countries choose to hold so much of their international dollar reserves as deposits at the NY Fed. Providing Congress with information concerning those assets could have implications for the willingness of foreign countries to hold their international dollar reserves at the NY Fed and might also be violative of our contractual obligations to our foreign customers to hold their account information confidential. We are hopeful that this is not an issue for the Committee because our working assumption is that the Committee is only interested in reviewing the conduct of the USG and the CPA (as a defacto extension of the USG) with respect to the DFI and does not intend to review the sovereign actions of Iraq with respect to the DFI following June 30th. A hosp-However, if the Committee does in fact intend to review the sovereign acts of Iraq since June 30th and to request DFI account information from the NY Fed in order to conduct that review, we would very much appreciate an opportunity to discuss that intent with the Committee staff in person at your earliest convenience. We would of course come to you.

Please don't hesitate to respond with any questions or comments. We look forward to working with the Committee.

Regards, Mike

Michael F. Silva Counsel & Vice President Federal Reserve Bank of New York Tel: (212) 720-8193 Fax: (212) 720-1530

Mr. Shays. The motion offered by Mr. Waxman is in order under House rule 11, clause 2(k)(6). That rule states, "The Chairman shall receive and the committee shall dispense with requests to subpoena additional evidence." Pursuant to that rule, the chairman may determine the timing of the consideration of such request. At this time the motion shall be considered as entered and the committee will consider the motion offered by the gentleman from California at 2:45 today.

Would you like to make a separate——

Mr. WAXMAN. I offer them separately because I can see no opposition to the first one.

Mr. Shays. Would you like me to comment on your motion?

Mr. WAXMAN. If you would.

Mr. Shays. The Chair reserves the time to speak, and I just say that conceptually I think, while I do not agree with the arguments on why this information is needed and that there is wrongdoing that requires it, I do think that there is merit in getting this information. So my interest is in getting this information. My inclination is always to write a letter first. In this instance a letter may not be required with the documentation that you have, and so I want to consider that. I will reserve judgment, frankly, on that motion.

Mr. WAXMAN. Mr. Chairman, I think that is a reasonable position. As you think about it between now and 2:45, I hope you make

the decision to support the subpoena.

My second motion is for a subpoena under House rule 11, clause 2(k)(6). As I said in my opening statement, the Bush administration is grossly mismanaging Iraqi oil proceeds and other funds in the Development Fund for Iraq. There have been multiple reports about the administration failing to manage these funds in an open, transparent and accountable manner as required by the Security Council resolution 1483. In addition, the administration is now withholding documents from the international auditors charged by the U.N. Security Council to monitor its stewardship of these funds. I think a subpoena is necessary at this point because the administration has refused requests to voluntarily turn over this information.

Indeed, Mr. Chairman, you issued a press release on June 23 of this year condemning the administration for failing to provide information to this subcommittee regarding both the Oil-for-Food Program and the Development Fund for Iraq. This is what you said about the administration's replay. "the response is incomplete. There is still an insufficient accounting of relevant documents in custody. Several questions and requests are simply unanswered."

The committee still has not received the information we requested on May 21. After the administration rejected the subcommittee's request for information, I wrote to Congressman Davis, the chairman of the full committee, on July 9 and asked that he subpoena the documents. In my request, I tracked exactly the language and format he used to subpoena the French bank handling the Oil-for-Food account.

On July 12, Chairman Davis wrote back refusing to issue the subpoena. He said it was premature, that he preferred to send a letter requesting the information. Well, I wrote to him again on

July 15 attaching a draft letter for him to sign and send out but

he never did and he just ignored my request entirely.

I wrote again on July 29 repeating my request. To this day he has failed to respond to my multiple requests to do so. Now that these voluntary efforts have failed, it is clear we have exhausted all our options. We have no choice but to issue an subpoena. In light of these numerous failures to provide information to the United Nations and the U.S. Congress, I move that the committee subpoena Defense Secretary Donald Rumsfeld to produce these specified documents, including records of receipts and disbursements, sole source contracts and other listed materials.

I understand, Mr. Chairman, it is always preferable to send a letter requesting the information, but if we cannot even get the chairman of the committee requesting it, and we have no response to our letters requesting the information directly from DOD, it seems to me that we have no other course but to go ahead with the subpoena. To date, we still have not received these documents. It is clear that we need to move to a subpoena. I urge support for

the subpoena.

Mr. Shays. Thank you. We will take that up after we discuss the first one and I will reserve judgment as well on this, and we will have dialog before we have that vote. We will have a 5-minute dialog on each of those subpoenas on each side so there will be a 10 minute debate on each motion before we vote.

Let me just say that I see Mr. Lantos is here.

Mr. Lantos, would you like to make a statement on the Oil-for-Food Program, or we will get right to our hearing.

Mr. Lantos. I will defer.

Mr. Shays. The French embassy has asked a representative, Ms. Christine Grenier, to provide some information to the subcommittee. Without objection, I would like to recognize her for a brief statement.

Mr. OSE. Mr. Chairman, I know it is our normal practice to swear in our witnesses.

Mr. Shays. How brief is your statement? It is very short, a para-

graph, so we are not swearing in this witness.

Ms. Grenier. Thank you, Mr. Chairman, and distinguished members of the committee, my name is Christine Grenier. I am First Secretary in the Political Section at the French Embassy. Allegations have been voiced on the role of France in the Oil-for-Food Program. The French Embassy will prepare a written statement in response to these unjustified allegations, and I would appreciate your allowing this statement to be included in the hearing record. Thank you, Mr. Chairman.

Mr. Shays. Thank you very much. We appreciate you honoring the committee with your presence. We will be happy to insert the statement into the record. Without objection that will happen.

Thank you very much.

[The information referred to follows:]

Ambassade de France aux Etats-Unis

> L'Ambassadeur N° 2183

Washington, October 8, 2004

Dear Mr. Chairman,

I respectfully submit the following statement for the hearing record of the Subcommittee on National Security, Emerging Threats and International Relations October 5 hearing on the United Nations Oil for Food Program. During the hearing, France's policy and conduct regarding this program were unfairly criticized.

As was agreed at the hearing on October 5, please find below the response of the French Government to these unjustified allegations.

# 1 - Background

A. All member states of the United Nations, particularly those on the 661 Committee, had a central responsibility in the implementation of the sanctions decreed in 1990 and in management and follow-up of the "oil-for-food" program after it was set up in 1995/1996.

It goes without saying that the United Nations cannot be satisfied with a situation in which the embargo against Iraq was repeatedly circumvented over the years. That concern existed moreover from the outset of the program established in SCR 986 of April 14, 1995 on the basis of a US draft. The monitoring mechanism was not agreed until over a year later, in May 1996, in the form of a memorandum of agreement. It required many working meetings for the missions of member states of the 661 Committee, including the US mission which succeeded in getting almost all its demands met, to arrive at a memorandum of understanding between the UN and Iraq and an extremely detailed and restrictive procedural document, endorsed by Washington.

The Honorable Christopher Shays Chairman House National Security Subcommittee Committee on Government Reform B-372 Rayburn House Office Building Washington DC 20515

Fax: 202 225 2382

B. Although it was not a top priority, the 661 Committee was committed to preventing financial fraud that was difficult or even impossible to identify. UN scrutiny of contracts prior to being forwarded to the 661 Committee included inter alia analysis by a customs expert, who was, for a moment, a British national, whose task was to verify in particular the honesty of the prices. Certainly at the time, attention, especially in the 661 Committee, was focused as a matter of priority on eventual dual-use goods supplied to Iraq in the context of the program (or that Baghdad sought to obtain outside that framework).

Even though during the embargo financial fraud by Saddam Hussein's regime was under surveillance (especially as the money siphoned off could be used for the acquisition of military or dual-use goods), it should be borne in mind that no contract was rejected by the Committee solely on the basis of any financial irregularities. The delays and other rejections, usually the action of a single state on the Committee (the United States), were nonetheless sufficiently significant to represent a total value of \$5 billion in May 2002. In fact, over-billing for goods was practically and technically difficulty to identify.

We should all acknowledge that many allegations of fraud were discussed but to date no irrefutable proof has been produced. A case in point, the Essex tanker affair (one of the few cases to have been specifically discussed in the Committee): the culpability of the various protagonists has never been proved.

In any case, each of the contracts that went forward under the program had the consent of all the member states on the 661 Committee, including therefore the United States (and the United Kingdom).

C. The "oil-for-food" program did not produce smuggling. While the transactions agreed under the program served as "support" for embezzlement and criminal offenses in violation of resolutions, such actions existed before the program was established and continued to exist outside it.

The legitimate and important question raised by the Subcommittee on National Security, Emerging Threats and International Relations (i.e., What were the structural weaknesses of the program which allowed Baghdad to get around the embargo?) has many other dimensions in addition to the implementation of the program. The General Accounting Office report mentions the figure of over \$10 billion in illegal revenue. It should be noted, however, that nearly \$6 billion came from oil smuggled out of Iraq, which happened outside the UN program and the responsibility of the Office of Iraq Program.

In mistaking the target, one limits the scope of answers to questions that the international community must ask about the best way to put an embargo in place, to ensure compliance by member states and to make it an effective political instrument for the attainment of collectively defined goals.

# 2 - France's role in the Oil for Food Program

# A. France continually monitored compliance with the sanctions.

France cannot leave unanswered the direct and repeated charges made against it. Without proof, through conflation and insinuation, France is accused of letting mercantile interests influence its position on the program's management and, beyond that, on the entire question of Iraq, and also of having covered up criminal actions by French companies.

In a national capacity, the French authorities always paid attention to applying UN sanctions and the legal framework of SCR 986 (1995) for transactions that took place under the oil-for-food program. Steps were swiftly taken to monitor compliance. Stringent measures were put in place, and special units set up in the ministries concerned, with the Permanent Mission of France to the United Nations acting as a filter in the forwarding of contracts to the Office of Iraq Program.

More broadly, the legal framework arising from the resolutions (and European Union regulations adopted to this end) was recalled both at trade meetings in which officials of the state participated and also through letters to importers and exporters, especially under the responsibility of the Ministry of Economy and Finance.

In the same spirit the French authorities always gave a positive answer to any request for cooperation in the context of customs inquiries into any violations of the UN-imposed embargo between 1990 and 2003.

This firmness was not just general and a matter of principle; it was applied in practice. In the case of the Essex affair, France, in a national capacity, chose, in spite of the absence of proof, to quickly remove from the list of companies authorized to make approved purchases of Iraqi oil a company allegedly implicated in a violation. It also shared the initial results of the inquiry with the customs authorities concerned (specifically American) and with the members of the Committee. On the contrary, still on this dossier, another intermediary (British) implicated in the same affair was not suspended from the list of buyers; meanwhile the request for explanation sent by the 661 Committee to the US (since the cargo's final destination was an American buyer and the US market), went unanswered.

# B. France sought better monitoring of compliance with the embargo by UN member states.

While many have suggested that Washington and London were the sole capitals interested in compliance with the embargo, France consistently floated compromise proposals and sought to promote balanced solutions, taking into account the need to ensure compliance with the sanctions, the humanitarian situation in Iraq and the negative effects of a strategy bent on limiting to the maximum the possibility of implementing the program. This was the case especially in the dossier on setting oil prices (cf. below). To that end, France helped maintain the integrity of the "oil-forfood" program.

That was the spirit in which France approached the discussions in both the sanctions committee, as the reports of the official meetings show, and the Security Council. For instance, France promptly expressed support for the ideas of the US Secretary of State for "smart sanctions" and during the discussions encouraged a consensus in the Security Council to permit the unanimous adoption of SCR 1409 based on a US draft.

With regard to oil prices, France thought that the retro-pricing imposed by Washington and London automatically led to a drop in Iraq oil exports, and therefore to gradually squeezing the humanitarian program at a time when oil market prices were volatile (as they were during 2002). France repeatedly indicated to its partners its willingness to discuss a new mechanism and floated several ideas for this: shortening the validity period of UN-imposed prices, the obligation to pick up the cargo designated in the contract; criteria for reputation and integrity that would allow authorized buyers to be selected to take part in the oil-for-food program.

# C. Steady Decline in French-Iraqi Trade

First, the proportion of French contracts in the program fell steadily; it was only 6% in the second half of 2000, no more than 2.5% the following year, and less than 2% in 2002. In 2001 our trade with Iraq represented only 0.2% of French exports, and 0.3% of imports. So we dispute critics claiming that, as the program developed, France stood to gain from maintaining the status quo; neither our share of imports from Iraq nor what this trade represented to our economy supports that argument.

As for exports of Iraqi oil, for reasons having to do with refining techniques in France, a very small percentage of oil from Iraq was destined for France, whereas almost half went to North American markets and buyers.

### D. American companies involvement

A distinction should be made in considering these contracts between those signed by French companies, those signed by subsidiaries of foreign companies in France that preferred to operate from France, and those dealing with the resale of goods produced abroad. Many American companies followed that practice, such as Flowserve Pumps (formerly Ingersoll Dresser Pumps), Dresser Rand, Fisher Rosmount, Baker International in the oil-related sector, and General Electric. All in all, such contracts add up to \$552 million (including \$130 Million for Halliburton and its subsidiaries). See list of companies attached.

# $\underline{\mathbf{3}}$ - The Volcker Commission will clear up the allegations surrounding the program and the United Nations.

It is not the place of the French authorities to comment on the repeated charges leveled against the United Nations. We observe, however, that a high-level independent commission of inquiry, led by a former chairman of the Board of Governors of the Federal Reserve Bank of the United States, was appointed by the UN Secretary General in order to get to the bottom of what are at this stage simple allegations.

France supported the initiative, and said it would cooperate fully with the commission. Mr. Volcker was received in Paris on October 7 and all the officials he met confirmed to him that his aides would have access to classified documents regarding the management of the program and could meet with French diplomats directly responsible for the dossier at our permanent mission in New York, as the commission had requested.

# 4 - Additional comments

- the rule of unanimity, sharply criticized by some as an obstacle to the adoption of US proposals also served the US, for example for delaying contracts (Cf. above) and imposing the mechanism of retroactive oil pricing;
- the action of the multinational interception force, the fleet placed under US command tasked with monitoring maritime traffic in the Gulf to prevent smuggling, also monitored traffic linked to the implementation of the program. France, several times, suggested it should be coordinated with the UN (661 Committee and the Office of the Iraq Program) under whose authority it was placed under SCR 665. These requests were not acted on. France also regretted that its activity should be concentrated on the southern shore of Iran, to the detriment of the rest of the area.

- BNP Paribas, or rather its US subsidiary, subject to OFAC control and responsible for 59% of the funds, was not the only bank involved in the management of the program. JP Morgan Chase Bank managed the rest of the oil revenues, of which 13% was intended for implementation of the program in the three provinces in the North (beyond Saddam Hussein's control) and in which a number of problems were apparently observed. 25% of the oil revenues was earmarked for the UNrun compensation process (in the framework of which a number of errors and duplications were committed which could also legitimately raise questions of an ethical and accounting nature).
- an examination of the oil-for-food program, to be complete, should also focus on the period after November 21, 2003, the date on which the UN entrusted its responsibilities to the Coalition Provisional Authority responsible for the management of the Development Fund for Iraq. In fact, a recent audit by the firm KPMG on behalf of the International Advisory and Monitoring Board (in which are represented such major institutions as the UN, IMF and World Bank: cf. WWW.IAMB.info) revealed many cases of poor management: on the credit side (inadequate controls on oil production, unequal application of procedures for signing contracts, high personnel turnover) and under debits (inadequate accounting procedures, barter operations, failure to respect bidding procedures).

I sincerely hope that these facts clearly answers the questions raised about France's policy and attitude regarding the United Nations Oil For Food program.

With my respectful regards,

Sincerely,

Jean-David LEVITTE

Blevan

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# American participation in the Oil For Food Program

French subsidiaries of American companies or	AMOUNT USD
companies having exported American goods to Iraq	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,
(PHASE I – XII)	
AGCO	113 491 600
BAKER	10 611 624
BECTON DICKINSON	4 611 828
BOSTON SCIENTIFIC	315 911
CAMERON	5 764 117
CASE FRANCE	32 418 805
DOSAPRO	1 199 904
DOW AGROSCIENCE	3 856 741
DRESSER INTERNATIONAL / DRESSER RAND	16 136 532
ENVIROTECH	76 372 954
FISHER ROSEMOUNT	9 846 413
FLOWSERVE	19 772 973
FMC EUROPE	3 327 597
GENERAL ELECTRIC	1 181 594
GROVE	9 556 000
HEXACORP	5 072 602
IBEX	32 595 435
INGERSOLL	62 105 914
KEMA-PROSER	7 598 562
LUXOR	17 265 777
MARSONEILAN	40 480
PUROLITE / BAKER	357 833
SANCHEZ	2 046 178
SIEMENS S.A.S.	82 283 149
TOEKHEIM	829 229
TOEKHEIN	1 234 696
TOSSCO	3 025 489
TROUVAY & CAUVIN / MANDREL	20 625 320
WEMCO / ENVIROTECH	9 064 142
WYETH / LEDERLE	101 849
TOTAL	552 711 248

Mr. Shays. At this time the Chair would note that we have Ambassador Patrick F. Kennedy, U.S. representative to the United Nations for U.N. management and reform, U.S. mission to the United Nations, U.S. Department of State. At this time the Chair will swear in the witness.

[Witnesses sworn.]

Mr. Shays. I note for the record our witness has responded in the affirmative. I thank the witness for his patience.

Mr. Ambassador, I thank you for your presence and statement. You have the floor.

# STATEMENT OF AMBASSADOR PATRICK F. KENNEDY, U.S. REPRESENTATIVE TO THE UNITED NATIONS FOR U.N. MANAGEMENT AND REFORM, U.S. MISSION TO THE UNITED NATIONS, U.S. DEPARTMENT OF STATE

Ambassador Kennedy. Mr. Chairman, distinguished members of the committee, I welcome the opportunity to appear before you again to discuss what is commonly known as the United Nations Oil-for-Food Program.

Mr. Chairman, recent allegations of corruption and mismanagement under the Oil-for-Food Program have been targeted not only at the Saddam regime but also at companies and individuals doing business under the program and at U.N. personnel and contractors. We believe that every effort should be made to investigate these al-

legations seriously and to determine the facts in each case.

As you are aware, there are currently several congressional investigations looking into the question of Oil-for-Food. The independent inquiry committee headed by Paul Volcker and the Iraqi board of Supreme Audit in Baghdad are also conducting their investigations. As these inquiries go forward, you have my assurance, and that of my staff, to cooperate fully with you and your colleagues on other committees and provide all possible additional information and assistance. I welcome the opportunity today to answer your questions relating to these investigations on how the program was created and operated. At the outset, Mr. Chairman, I want to reiterate several points I made here previously in April.

First, I want to emphasize that the establishment of the Oil-for-Food Program was the result of difficult and arduous negotiations among 15 Security Council members, a number of whom advocated a complete lifting of sanctions against Iraq. The Oil-for-Food Program was in no way perfect, but it was, at the time, the best achievable compromise to address the ongoing humanitarian crisis in Iraq in the mid 1990's, while maintaining effective restrictions on Saddam's ability to rearm. Sanctions have always been an imperfect tool, but given the U.S. national goal of restricting Saddam's ability to obtain new materials of war, sanctions represented an important tool in our efforts.

Mr. Chairman, given this general context, I would now like to outline some of the details of how the program worked, how it was created, by whom and how it was operated and was monitored. A comprehensive sanctions regime was established under U.S. Security Council resolution 661 in August 1990 after the Saddam Hussein regime invaded Kuwait. The council's unanimity on the issue of Iraq eroded as key council delegations became increasingly con-

cerned over the negative impact of sanctions on the Iraqi population, the lack of food supplies and the increase in mortality rates were worldwide news.

The concept of a humanitarian program to alleviate the suffering of the people of Iraq was initially considered in 1991 with U.N. Security Council resolutions 706 and 712, but the Saddam regime rejected those proposals. The counsel eventually adopted U.N. Security Council resolution 986 in 1995, which provided the legal basis for what became known as the Oil-for-Food Program. While council members were the drafters and negotiators of this text, the memorandum of understanding signed between the U.N. and the former government of Iraq was negotiated between Iraqi government officials and representatives of the Secretary General, in particular his legal counsel, on behalf and at the request of the Security Council.

Under provisions of resolution 986 and the MOU, the Iraqi government, as a sovereign entity, retained the responsibility for contracting with buyers and sellers of Iraq's choosing and the responsibility to distribute humanitarian items to the Iraqi population. This retention of Iraqi authority was insisted upon by Saddam and was supported by a number of Security Council members, as well as other U.N. member states. The exception to this was for the three northern Governorates of Iraq where the U.N. agencies, at the request of the Council, served as the de facto administrative body that contracted for nonbulk goods and distributed the monthly food ration.

The sanctions committee was established under resolution 661 in 1990, also known as the 661 committee, monitored member state implementation of the comprehensive sanctions on Iraq, and also was authorized to monitor the implementation of Oil-for-Food Program after its inception.

The 661 committee, like all sanctions committees, operated as a subsidiary body of the Security Council and was comprised of representatives from the same 15 member nations as the council. The committee was chaired by the Ambassador of one of the rotating 10 elected members of the council. The committee, during its life span, was chaired by the Ambassadors of Finland, Austria, New Zealand, Portugal, Netherlands, Norway and Germany.

Decisionmaking in the committee was accomplished on a consensus basis. All decisions taken by the committee required the agreement of all its members. This procedure is used in all subsidiary sanctions committees of the Security Council.

In providing oversight and monitoring of the sanctions, the committee and each of its members, including the United States, was responsible for reviewing humanitarian contracts, oil spare parts contracts, and oil pricing submitted on a regular basis by Iraq to the U.N. for approval. The committee was also responsible for addressing issues related to noncompliance and sanctions busting. In my previous testimony and statement for the record, I have provided an explanation of what we knew about issues relating to noncompliance, what we did to address them and the degree of success we had in addressing these issues within the confines of the 661 committee.

When the United States became aware of issue related to noncompliance or manipulation of the Oil-for-Food Program by the Saddam regime, we raised these concerns in the committee, often in concert with our U.K. counterparts. At our request, the committee held lengthy discussion and debate over for example allegations of oil pricing manipulation, kickbacks on contracts, illegal smuggling and misuse of ferry services. To provide the 661 committee with additional insight on issues related to noncompliance, we also organized outside briefings by the commander of the Multilateral Interception Force and other U.S. agencies. Our success in addressing issues of noncompliance was directly related to the willingness of other members of the committee to take action.

Given the consensus rule for decisionmaking in the committee, the ability of the United States and the U.K. to take measures to counter or address noncompliance was often inhibited by other Members' desire to ease sanctions on Iraq. As reflected in many of the 661 committee records which have been shared with your committee, the atmosphere within the committee, particularly as the program evolved by the late 1990's was often contentious and polemic, given the fundamental political disagreement between member states over the Security Council's imposition and continuance of comprehensive sanctions, a debate exacerbated by the self-serving national economic objectives of certain key member states.

Mr. Chairman, you have recently been to Baghdad and know that the voluminous Oil-for-Food documents are now being safe-guarded for use by the board of supreme audit in their investigation. The American Embassy in Baghdad is currently working on a memorandum of understanding between the United States and the government of Iraq regarding access to these documents. We will keep this committee updated on the status of these negotiations. Mr. Chairman, as you and your fellow distinguished committee colleagues continue your review of the Oil-for-Food Program, key issues in your assessment likely will be whether the program achieved its overall objectives and whether the program could have been better designed at its inception to preclude what some have suggested were fundamental flaws in its design.

In retrospect, had the program been constructed differently, perhaps by eliminating Iraqi contracting authority and the resulting large degree of autonomy afforded to Saddam to pick suppliers and buyers, then the allegations currently facing the program might not exist. One can postulate the elimination of this authority and the establishment of another entity to enter into contracts on behalf of the former government of Iraq, and this entity might have had tighter oversight of financial flows, thus inhibiting Saddam Hussein's ability to cheat the system through illegal transaction.

The problem is, of course, that these specific decisions to allow the government of Iraq to continue to exercise authority, to let Saddam Hussein continue to determine who he could sell oil to and purchase goods from were all done in the larger context of a political debate on Iraq. It was reluctantly accepted to ensure that the significant sanctions program would remain in place, thus achiev-

ing a U.S. goal.

Mr. Chairman, I want to reiterate a point that I made earlier on the issue of sovereignty. While we opposed the authoritarian leadership of the former Saddam Hussein regime, Iraq was, and is, a sovereign nation. Sovereign nations are generally free to determine to whom they will sell their national products, and from whom they purchase supplies. Members of the Security Council, as well as other member states, insisted on upholding this aspect of Iraq's

sovereign authority.

These were the arrangements that prevailed under the Oil-for-Food Program given this reality. Could alternate arrangements have been devised, such as authorizing the United Nations or some other entity to function as the contracting party representing the people of Iraq in oil sales, and humanitarian goods procurement? The answer, given that there was not the political will in the Security Council to use its authorities to take charge of Iraq's oil sales and humanitarian goods procurement depended on the Iraqi regime's agreeing. And it did not.

Mr. Shays. Ambassador, I am going to have you summarize when we get back. We have a vote now, and I am going to go to

that vote, so we are going to recess.

[Recess.]

Mr. Shays. Ambassador Kennedy, there is going to be another vote, but just complete your statement. We will put your statement on the record.

Ambassador Kennedy. Thank you, Mr. Chairman.

The Security Council's original scheme for the Oil-for-Food Program outlined in resolution 706 and 712 in 1991 were for a program that would utilize the revenue derived from the sale of Iraqi oil to finance the purchase of humanitarian supplies for use by the Iraqi people. It was repeatedly rejected by the Saddam government. Even after the council adopted resolution 986 on April 14, 1995, the resolution that established the Oil-for-Food Program, it took more than 13 months of protracted negotiations before Saddam Hussein finally agreed to proceed, a considerable delay given the

ongoing and urgent needs of the Iraqi people.

Mr. Chairman, any plan that would have denied the authority of the Iraqi government to select its own purchasers of Iraqi oil and suppliers of humanitarian products would have been rejected by a number of other key Security Council member states. You and your committee colleagues will recall that most, if not all, of the resolutions concerning Iraq adopted by the Security Council reaffirmed Iraq's sovereignty and territorial integrity. It would not have been possible politically to win support from various U.N. member states for any arrangement that denied Iraq its fundamental authorities as a sovereign nation and that would have endangered the durability of the sanctions regime that helped Saddam's access to war materials.

Finally, Mr. Chairman, I want to underscore the obligations of all U.N. member states to implement and enforce the comprehensive multilateral sanctions imposed by the Security Council under resolution 661. It was not possible for the sanctions to be effective, nor to prevent Saddam Hussein from evading the sanctions through the smuggling of oil, and the purchase of prohibited goods without the full cooperation of other states. I appreciate that this committee is carefully reviewing this matter and I would encourage you to consider the actions of other states in the context of the Oilfor-Food Program.

The United Nations, first and foremost, is a collective body comprised of its 191 members. A fundamental principle inherent in the U.N. charter is that member states will accept and carry out the decisions of the Security Council in accordance with the charter. In this regard, the effectiveness of the Oil-for-Food Program as well as the larger comprehensive sanctions regime against Iraq, largely depended on the ability and willingness of U.N. member states to implement and enforce sanctions. In the 661 committee, the subsidiary body of the Security Council tasked with monitoring sanctions compliance, sanctions violations could be addressed only if there was collective will and consensus to do so.

As you review the effectiveness of the Oil-for-Food Program, and the sanctions against Iraq in general, I encourage you to keep in mind that a decision to take effective action to address noncompliance issues required consensus in the 661 committee, a consensus that repeatedly proved elusive. And in reviewing the effectiveness of the U.N. secretariat, it may be relevant to recall that the staff and contractors are hired to implement the decisions of the member states. They operate within the mandates given to them.

In this regard, resolution 986 and the May 1996 memorandum of understanding between the United Nations and the former government of Iraq defined the mandate governing the work of the independent inspection agents, appointed by the Secretary General, who authenticated the arrival in Iraq of goods ordered under approved Oil-for-Food contracts. Lloyds Registry of the United Kingdom initially performed this function on behalf of the U.N. When the Lloyds contract expired, the Swiss firm Cotecna was hired by the U.N. to continue this authentication function. As defined in resolution 986 and the subsequent MOU, the independent inspection agents, Lloyds and then Cotecna, were tasked with inspecting only those shipments of humanitarian supplies ordered under the Oilfor-Food program.

Lloyds Registry and Cotecna agents were not authorized by the Security Council to serve as Iraq's border guards or customs officials. They lacked authority to prevent the entry into Iraq of non-Oil-for-Food goods. That function and responsibility belonged solely to Iraqi border and Customs officers, given Iraq's sovereignty and to every U.N. member state given the sanctions in place. The United Nations and its agents Lloyds Registry, Cotecna and Saybolt were not responsible for enforcing sanctions compliance. In May 2001, the United States and U.K. delegations circulated a draft resolution to other Security Council members that would have tightened border monitoring by neighboring states as part of a smart sanctions approach to Iraq. Certain council members as well as representatives of Iraq's neighbors, strongly opposed the United States-U.K. text, and the draft resolution was never adopted.

Resolution 986 and the May 1996 memorandum of understanding also called for monitoring by outside agents of Iraq's oil exports the Dutch firm Saybolt performed this function under the Oil-for-Food Program. Saybolt representatives oversaw oil loadings at the Mina al-Bakr loading platform and monitored the authorized outbound flow of oil from Iraq to Turkey. Saybolt monitors were not authorized by the Security Council to search out and prevent illegal oil shipments by the former Iraqi regime. This was the primary

responsibility of each member state. The multi national maritime interception force operating in the Persian Gulf also was tasked

with preventing Iraq's illegal oil smuggling.

Mr. Chairman, now that the Oil-for-Food Program has ended, questions concerning the efficacy of the program have arisen in light of the appearance of the documents belonging to the former Iraqi regime. These documents were never publicly shared during Saddam Hussein's rule with the Security Council or the 661 committee.

A fair question to pose is what might have happened had the Oilfor-Food Program never been established. While any response is purely conjecture. It is fair to assume that the humanitarian crisis besetting the people of Iraq in the mid 1990's would have only worsened over time, given the impact of the comprehensive sanctions on Iraq and Saddam Hussein's failure to provide for the needs

of his own civilian population.

A deteriorating humanitarian situation among the Iraqi people would have increased calls among more and more nations for a relaxation and/or removal of the comprehensive sanctions restrictions on Iraq, thereby undermining ongoing United States and U.K. efforts to limit Saddam's ability to rearm. While the United States and U.K. may have succeeded in formally retaining sanctions against Iraq, fewer and fewer nations would have abided by them in practice given the perceived harmful impact such measures were thought to be having on Iraqi civilians. This would have given Saddam even greater access to prohibited items with which to pose a

renewed threat to Iraq's neighbors and to the region.

Did the Oil-for-Food Program help to relieve the humanitarian crisis in Iraq and the suffering of the Iraqi people? Despite what might in the end be identified as inherent flaws, the Oil-for-Food Program did enjoy measurable success in meeting the day-to-day needs of Iraqi civilians. Could the program have been designed along lines more in keeping with the U.S. Government competitive bidding and procurement rules? Only if other council members and the former Iraqi government itself had supported such a proposal. In the end, the Oil-for-Food Program reflected three merged concepts: A collective international desire to assist and improve the lives of Iraq's civilian population; a desire by the United States and others to prevent Saddam from acquiring materials of war and from posing a renewed regional and international threat; and, efforts by commercial enterprises and a number of states to pursue their own national economic and financial interests despite the interests of the international community to contain the threat posed by Saddam's regime.

Mr. Chairman, thank you for the opportunity to appear again before this committee. I now stand ready to answer whatever questions you or your fellow committee members may wish to post.

[The prepared statement of Ambassador Kennedy follows:]

FINAL

# STATEMENT BY

# AMBASSADOR PATRICK F. KENNEDY U.S. REPRESENTATIVE FOR UN MANAGEMENT AND REFORM UNITED STATES MISSION TO THE UNITED NATIONS ON THE

# UNITED NATIONS OIL-FOR-FOOD PROGRAM

# BEFORE THE

COMMITTEE ON GOVERNMENT REFORM,
SUBCOMMITTEE ON NATIONAL SECURITY, EMERGING THREATS
AND INTERNATIONAL RELATIONS
UNITED STATES HOUSE OF REPRESENTATIVES

**OCTOBER 5, 2004** 

Mr. Chairman, distinguished members of the Committee, I welcome the opportunity to appear before you again to discuss what is commonly known as the United Nations Oil-for-Food (OFF) Program.

Mr. Chairman, recent allegations of corruption and mismanagement under the Oil-for-Food Program have been targeted not only at the Saddam regime, but also at companies and individuals doing business under the program, and at UN personnel and contractors. We believe that every effort should be made to investigate these allegations seriously and to determine the facts in each case.

As you are aware, there are currently several Congressional investigations looking into the question of Oil-for-Food. The Independent Inquiry Committee headed by Paul Volcker, and the Board of Supreme Audit (BSA) in Baghdad are also conducting their own investigations. As these inquiries go forward, you have my assurance, and that of my staff, to cooperate fully with you and your colleagues on the other Committees, and provide all possible additional information and assistance. I welcome the opportunity today to answer your questions relating to these investigations on how the program was created and operated.

At the outset, Mr. Chairman, I want to reiterate several points I made here previously in April. First, I want to emphasize that the establishment of the Oil-for-Food Program was the result of difficult and arduous negotiations among 15 Security Council members, a number of whom advocated the complete lifting of sanctions against Iraq. The Oil-for-Food Program was in no way perfect — but it was, at the time, the best achievable compromise to address the ongoing humanitarian crisis in Iraq in the mid-1990's, while maintaining effective restrictions on Saddam's ability to re-arm. Sanctions have always been an imperfect tool, but, given the U.S. national goal of restricting Saddam's ability to obtain new materials of war, sanctions represented an important tool in our efforts.

Mr. Chairman, given this general context, I would now like to outline some details on how the Program worked – how it was created, by whom, and how it operated and was monitored.

A comprehensive sanctions regime was established under UNSC Resolution 661 in August 1990 after the Saddam Hussein regime invaded Kuwait. The Council's unanimity on the issue of Iraq eroded as key Council delegations became increasingly concerned over the negative impact of sanctions on the

Iraqi population. The lack of food supplies and the increase in mortality rates were world-wide news.

The concept of a humanitarian program to alleviate the suffering of the people of Iraq was initially considered in 1991 with UNSC Resolutions 706 and 712, but the Saddam regime rejected these proposals. The Council eventually adopted UNSC Resolution 986 in 1995 which provided the legal basis for what became known at the Oil-for-Food Program. While Council members were the drafters and negotiators of this text, the Memorandum of Understanding (MOU) signed between the UN and the former Government of Iraq was negotiated between Iraqi Government officials and representatives of the Secretary-General, in particular his Legal Counsel, on behalf of and at the request of the Security Council.

Under provisions of Resolution 986 and the MOU, the Iraqi Government, as a sovereign entity, retained the responsibility for contracting with buyers and sellers of Iraq's choosing, and the responsibility to distribute humanitarian items to the Iraqi population. This retention of Iraqi authority was insisted upon by Saddam and was supported by a number of Security Council members as well as by other UN member states. The exception to this was

for the three Northern Governorates of Iraq, where the UN agencies, at the request of the Council, served as the de-facto administrative body that contracted for non-bulk goods and distributed the monthly food ration.

The Sanctions Committee that was established under Resolution 661 in 1990 – also known as the 661 Committee – monitored member state implementation of the comprehensive sanctions on Iraq – and also was authorized to monitor the implementation of the Oil-for-Food Program after its inception.

The 661 Committee – like all sanctions Committees – operated as a subsidiary body of the Security Council and was comprised of representatives from the same fifteen nations as the Council. The Committee was chaired by the Ambassador of one of the rotating ten elected members of the Council. The Committee during its lifespan was chaired by the Ambassadors of Finland, Austria, New Zealand, Portugal, Netherlands, Norway, and Germany. Decision-making in the Committee was accomplished on a consensus basis – all decisions taken by the Committee required the agreement of all its members. This procedure is used in all subsidiary sanctions committees of the Council.

In providing oversight and monitoring of the sanctions, the Committee, and each of its members, including the U.S., was responsible for reviewing humanitarian contracts, oil spare parts contracts, and oil pricing submitted on a regular basis by Iraq to the UN for approval. The Committee was also responsible for addressing issues related to non-compliance and sanctions busting. In my previous testimony and statement for the record, I have provided an explanation of what we knew about issues related to non-compliance, what we did to address them, and the degree of success we had in addressing these issues within the confines of the 661 Committee.

When the U.S. became aware of issues related to non-compliance or manipulation of the Oil-for-Food Program by the Saddam regime, we raised these concerns in the Committee, often in concert with our UK counterparts. At our request, the Committee held lengthy discussion and debate over, for example, allegations of oil pricing manipulation, kickbacks on contracts, illegal smuggling, and the misuse of ferry services. To provide the 661 Committee with additional insight on issues related to non-compliance we also organized outside briefings by the Commander of the Multilateral Interception Force (MIF), and other U.S. agencies. Our success in

addressing issues of non-compliance was directly related to the willingness of other members of the Committee to take action.

Given the consensus rule for decision-making in the Committee, the ability of the U.S. and UK to take measures to counter or address non-compliance was often inhibited by other members' desire to ease sanctions on Iraq. As reflected in many of the 661 Committee records that have been shared with your Committee, the atmosphere within the Committee, particularly as the program evolved by the late 90s, was often contentious and polemic, given the fundamental political disagreement between member states over the Security Council's imposition and continuance of comprehensive sanctions, a debate exacerbated by the self-serving national economic objectives of certain key member states.

Mr. Chairman, you have recently been to Baghdad and know that the voluminous Oil-for-Food documents are now being safeguarded for use by the Board of Supreme Audit (BSA) in their investigation. The American Embassy in Baghdad is currently working on a Memorandum of Understanding between the U.S. and the Government of Iraq regarding

access to these documents. We will keep this Committee updated on the status of these negotiations.

Mr. Chairman, as you and your fellow distinguished Committee colleagues continue your review of the Oil-for-Food Program, key issues in your assessment likely will be whether the Program achieved its overall objectives, and whether the Program could have been better designed at its inception to preclude what some have suggested were fundamental flaws in its design.

In retrospect, had the program been constructed differently, perhaps by eliminating Iraqi contracting authority and the resulting large degree of autonomy afforded to Saddam to pick suppliers and buyers, then the allegations currently facing the program might not exist. One can postulate the elimination of this authority and the establishment of another entity to enter into contracts on behalf of the former government of Iraq, and this entity might have had tighter oversight of financial flows, thus inhibiting Saddam Hussein's ability to cheat the system through illegal transactions.

The problem is, of course, that these specific decisions - to allow the

government of Iraq to continue to exercise authority – to let Saddam Hussein continue to determine who he could sell oil to and purchase goods from – were all done in the context of the larger political debate on Iraq. It was reluctantly accepted to ensure that a significant sanctions program would remain in place -thus achieving a U.S. goal

Mr. Chairman, here I want to reiterate a point that I made earlier on the issue of sovereignty. While we opposed the authoritarian leadership of the former Saddam Hussein regime, Iraq was, and is, a sovereign nation. Sovereign nations are generally free to determine to whom they will sell their national products, and from whom they purchase supplies. Members of the Security Council, as well as other member states, insisted on upholding this aspect of Iraq's sovereign authority.

These were the arrangements that prevailed under the Oil-for-Food Program given this reality. Could alternate arrangement have been devised, such as authorizing the United Nations or some other entity to function as the contracting party representing the people of Iraq in oil sales, and humanitarian goods procurement? The answer, given that there was not the political will in the Security Council to use its authorities to take charge of

Iraq's oil sales and humanitarian goods procurement, depended on the Iraqi regime's agreeing. And it did not.

The Security Council's original scheme, outlined in Resolutions 706 (1991) and 712 (1991), for a program that would utilize the revenue derived form the sale of Iraqi oil to finance the purchase of humanitarian supplies for use by the Iraqi people, was repeatedly rejected by the Saddam government. Even after the Council adopted Resolution 986 on April 14, 1995, the resolution that established the OFF Program, it took more that thirteen months of protracted negotiations with the UN before Saddam Hussein finally agreed to proceed with the Program – a considerable delay given the ongoing and urgent needs of the Iraqi people.

Mr. Chairman, any plan that would have denied the authority of the Iraqi Government to select its own purchasers of Iraqi oil and suppliers of humanitarian products would have been rejected by a number of other key Security Council states. You and your Committee colleagues will recall that most, if not all, of the resolutions concerning Iraq adopted by the Security Council reaffirmed Iraq's sovereignty and territorial integrity. It would not have been possible, politically, to win support from various UN member

states for any arrangement that denied Iraq its fundamental authorities as a sovereign nation. And that would have endangered the durability of the sanctions regime that helped deny Saddam access to war materials.

Finally, Mr. Chairman, I want to underscore the obligations of all UN member states to implement and enforce the comprehensive multilateral sanctions imposed by the Security Council under Resolution 661 (1990). It was not possible for the sanctions to be effective, nor to prevent Saddam from evading the sanctions through the smuggling of oil, and the purchase of prohibited goods, without the full cooperation of other states. I appreciate that this Committee is carefully reviewing this matter, and I would encourage you to consider the actions of other states in the context of the Oil-for-Food Program. The United Nations, first and foremost, is a collective body comprised of its 191 members. A fundamental principle inherent in the UN Charter is that member states will accept and carry out decisions of the Security Council in accordance with the Charter. In this regard, the effectiveness of the Oil-for-Food Program, as well as the larger comprehensive sanctions regime against Iraq, largely depended on the ability and willingness of UN member states to implement and enforce the sanctions. In the 661 Committee, the subsidiary body of the

Security Council tasked with monitoring sanctions compliance, sanctions violations could be addressed only if there was a collective will, and consensus, to do so. As you review the effectiveness of the Oil-for-Food Program, and the sanctions against Iraq in general, I encourage you to keep in mind that a decision to take effective action to address non-compliance issues required consensus in the 661 Committee, a consensus that repeatedly proved elusive. And in reviewing the effectiveness of the UN Secretariat, it may be relevant to recall that the staff and contractors are hired to implement the decisions of the member states. They operate within the mandates given to them.

In this regard, Resolution 986 (1995) and the May 1996 Memorandum of Understanding between the United Nations and the former Government of Iraq defined the mandate governing the work of the independent inspection agents, appointed by the Secretary-General, who authenticated the arrival in Iraq of goods ordered under approved Oil-for-Food contracts. Lloyds Registry of the United Kingdom initially performed this function on behalf of the UN. When the Lloyds contract expired, the Swiss firm Cotecna was hired by the UN to continue this authentication function.

As defined in Resolution 986 (1995) and the subsequent MOU with the former Iraqi Government, the independent inspection agents, Lloyds Registry and Cotecna, were tasked with inspecting only those shipments of humanitarian supplies ordered under the Oil-for-Food Program. Lloyds Registry and Cotecna agents were not authorized by the Security Council to serve as Iraq's border guards or customs officials. They lacked authority to prevent the entry into Iraq of non-Oil-for-Food goods. That function and responsibility belonged solely to Iraqi border and customs officers, given Iraq's sovereignty, and to every UN member state, given the sanctions in place. The United Nations, and its agents, Lloyds Registry, Cotecna, and Saybolt, were not responsible for enforcing sanctions compliance.

In May 2001, the U.S. and UK delegations circulated a draft resolution to other Security Council members that would have tightened border monitoring by neighboring states as part of a "smart sanctions" approach to Iraq. Certain Council members, as well as representatives of Iraq's neighbors, strongly opposed the U.S.-UK text, and the draft resolution was never adopted.

Resolution 986 (1995) and the May 1996 Memorandum of Understanding also called for monitoring by outside agents of Iraq's oil exports. The Dutch firm, Saybolt, performed this function under the Oil-for-Food Program.

Saybolt representatives oversaw oil loadings at the Mina al-Bakr loading platform and monitored the authorized outbound flow of oil from Iraq to Turkey (Ceyhan). Saybolt monitors were not authorized by the Security Council to search out and prevent illegal oil shipments by the former Iraqi regime. This was the primary responsibility of each member state. The Multinational Maritime Interception Force (MIF), operating in the Persian Gulf, also was tasked with preventing Iraq's illegal oil smuggling.

Mr. Chairman, now that the Oil-for-Food Program has ended, questions concerning the efficacy of the Program have arisen in light of the appearance of documents belonging to the former Iraqi regime. These documents were never publicly shared during Saddam Hussein's rule with the Security Council or the 661 Committee.

A fair question to pose is what might have happened had the Oil-for-Food

Program never been established. While any response is purely conjecture, it
is fair to assume that the humanitarian crisis besetting the people of Iraq in

the mid-1990's would have only worsened over time, given the impact of the comprehensive sanctions on Iraq, and Saddam's failure to provide for the needs of his civilian population.

A deteriorating humanitarian situation among the Iraqi people would have increased calls among more and more nations for a relaxation and/or removal of the comprehensive restrictions on Iraq, thereby undermining ongoing U.S. and UK efforts to limit Saddam's ability to re-arm. While the U.S. and UK may have succeeded in formally retaining sanctions against Iraq, fewer and fewer nations would have abided by them in practice given the perceived harmful impact such measures were thought to be having on Iraqi civilians. This would have given Saddam even greater access to prohibited items with which to pose a renewed threat to Iraq's neighbors, and to the region.

Did the Oil-for-Food Program help to relieve the humanitarian crisis in Iraq and the suffering of the Iraq people? Despite what might in the end be identified as inherent flaws, the Oil-for-Food Program did enjoy measurable success in meeting the day-to-day needs of Iraqi civilians. Could the Program have been designed along lines more in keeping with U.S.

Government competitive bidding and procurement rules? Only if other Council members and the former Iraqi government itself had supported such a proposal. In the end, the Oil-for-Food Program reflected three merged concepts: a collective international desire to assist and improve the lives of Iraq's civilian population; a desire by the U.S. and others to prevent Saddam from acquiring materials of war and from posing a renewed regional and international threat; and, efforts by commercial enterprises and a number of states to pursue their own national economic and financial interests despite the interests of the international community to contain the threat posed by Saddam's regime.

Mr. Chairman, thank you for this opportunity to appear again before this Committee. I now stand ready to answer whatever questions you and your fellow Committee members may wish to pose.

Mr. Shays. Thank you, what I will do since we have a vote, I will go back to the vote and then we will just start with questioning. The committee stands in recess.

[Recess.]

Mr. Shays. I call the hearing back to order.

I thank you, Mr. Kennedy. I also want to apologize to the second

panel for all of the delays.

I would like to start by responding to your closing that suggests that, and let me be clear you accept this point, Ambassador Kennedy, basically you are saying because Saddam and Iraq were a sovereign nation, and because he was not willing to abide by a stricter Oil-for-Food Program, that we, the United Nations, conceded in allowing him to pretty much write his own ticket and that the alternative was, what? That is what I do not understand. In

other words, are you suggesting that the sanctions worked?

Ambassador Kennedy. Mr. Chairman, we do not believe that we permitted Saddam Hussein to write his own ticket. I think that is evident from the fact that it took almost 15 months between the time that resolution 986 was passed by the Security Council and the end of the negotiations to formulate the MOU. Saddam Hussein was obviously interested in achieving the maximum amount of flexibility that he could. The United States, the United Kingdom and others were interested in putting the maximum number of constraints on Saddam Hussein. We had a goal, Saddam Hussein had goals. All of these goals were in the context of other member states of the Security Council, and additionally, other member states of the United Nations, who have very different views on sanctions, some of them philosophical, some related to Saddam Hussein. The United States, United Kingdom and others pushed very, very hard to get the maximum amount of oversight of the sanctions regime. Those activities were resisted by others.

What I am suggesting is that although the program certainly was not perfect, as the work that you and your committee members have done amply demonstrate, I am suggesting, though, that in the absence of these sanctions, we would have probably had a very,

very less fulsome situation.

I might note in 2002 the United States and the United Kingdom were holding, meaning denying permission, to over \$5.4 billion in contracts that Saddam Hussein wished to execute. So it was a balance. The need to alleviate the horrible suffering of the Iraqi people, suffering brought on by Saddam Hussein, at the same time to put into effect the most rigorous sanctions regime that we could politically establish.

Mr. Shays. I have to say you take my breath away. I feel like you are digging into a hole that I am sorry you are going into because it sounds to me like some critics' concern about the State Department's double speak. It sounds to me like double-speak, and let

me explain why.

The sanctions did not work, but we had this program to what, save face for the United States or whatever? We had a program that allowed Saddam to sell oil at a price below the market and get kickbacks and we had a program that allowed him to buy commodities above the price and get kickbacks. He had the capability to now take this illegal money in addition to the leakage that they

had. We are looking at the Oil-for-Food Program as a \$4.4 billion rip-off to the Iraqi people going to Saddam and then the \$5.7 billion of illegal oil being sold through Jordan and Syria and Turkey. But let us just focus on the \$4.4 billion. In addition within that Oil-for-Food Program, he had what was considered legitimate money that he could then pay for commodities and bought things that he was not what he was supposed to be purchasing.

You need to tell me how those sanctions worked if he could do that. I don't know how you can tell me that they worked when that

happened.

Are you disputing that \$4.4 billion was basically ripped off and ended up in his hands?

Ambassador Kennedy. No, sir, I am not.

Mr. Shays. Are you in agreement this is not the Oil-for-Food Program, but it was the sanctions, are you in disagreement that he did not filter about \$5.7 billion of oil sales illegally through the neighboring states?

Ambassador Kennedy. Saddam Hussein engaged in oil smuggling which was not part of the Oil-for-Food Program. I think we all agree that Saddam Hussein was an evil man who attempted to manipulate any opportunity.

Mr. Shays. I don't want to go down whether he is evil or not. I want to go back over how you can defend these sanctions. Why

did you go in that direction?

Ambassador Kennedy. I think, Mr. Chairman, that the sanctions enabled Saddam Hussein to be deprived of weapons of war and dual-use items.

Mr. Shays. Is it your testimony and your comfort level that \$10.1

billion was not used to purchase weapons?

Ambassador Kennedy. No, sir. I am saying that the sanctions regime assisted. I said in my testimony that it is not a perfect system. He attempted to purchase materials under the sanctions through the U.N. Oil-for-Food process. We put holds on those. We stopped his purchasing of materials overtly, such as dual-use items. He attempted to purchase for example dump trucks and heavy equipment transporters. Dump trucks are easily convertible into rocket launchers because of the hydraulic mechanisms on the back. And a heavy equipment transporter that can move a bulldozer or a crane is the same piece of equipment, essentially, that you use to move tanks.

Mr. Shays. Is it your testimony that you know what he bought? Are you comfortable with the documents that came from Saybolt and Cotecna? Are you testifying that when they testify and basically come before us and say that he was not abiding by the sanctions, bought material he should not have, are you saying that he bought material that he should have? You can't be saying that.

Ambassador Kennedy. No, sir. What I am saying is the contracts that ran through the Oil-for-Food Program ran through the 661 committee. When the United States, using the example of our own Nation, received those contract proposals, those contracts were vetted by any number of Washington agencies that were specialists in that regard. They vetted those contracts to make sure that none of the material included therein were weapons of war or potential dual-use items.

Mr. Shays. Is it your testimony that you in fact believe those documents?

Ambassador Kennedy. I believe that the United States reviewed contracts and held on contracts that would have been given Sad-

dam Hussein weapons of war and dual-use materials, yes.

Mr. Shays. I am not asking that. What I am asking is: So you stopped some transactions, but are you testifying as a representative of the United States that this system, which this subcommittee certainly believes is a paper tiger, was not a paper tiger. Do you believe that Cotecna and Saybolt had the power to properly mon-

I want to say it again. Representing the United States of America, you come before this committee under oath, are you telling us that this system worked and that both companies were able to verify and properly manage this program? That is the question I am asking you. I want you to think long and hard before you answer

Ambassador Kennedy. I think, Mr. Chairman, that you are conducting an investigation, an investigation we welcome. If Saddam Hussein was moving materials into Iraq outside of those which were contracted for under the Oil-for-Food Program, he and someone else were engaged in smuggling sanctions.

Mr. Shays. That is a no-brainer statement, but it is not answering my question. I want you to answer my question. I want you to

think a second and answer the question.

Is it your testimony representing the State Department, and representing the administration, that this program, that the way this program was set up, that these two companies were able to properly enforce the sanctions? That is the question. Were they given the power necessary? Were you given the cooperation necessary with the other members of the Security Council, the 661 commit-

Ambassador Kennedy. Absolutely not. Absolutely not.

Mr. Shays. Let us work with that. You are digging yourself out of a hole right now. The bottom line is they were not, correct?

Ambassador Kennedy. That is correct.

Mr. Shays. Tell me in your words what was the problem with

the program?

Ambassador Kennedy. The problem was in the negotiating process that takes place in the international arena all of the time, the ultimate resolution passed by the Security Council, which was a process of negotiation, did not authorize either Cotecna or Saybolt or X or Y or Z, or anyone, to become all encompassing sanctioned enforcement agents.

Mr. Shays. That is the extreme they did not do. Tell me the min-

imum that they did? What power did these companies have?
Ambassador Kennedy. They were empowered under the resolution to validate goods that were being shipped into Iraq that were declared to be part of the Oil-for-Food Program.

Mr. Shays. You are familiar with this program?

Ambassador Kennedy. Yes, sir.

Mr. Shays. Were they able to do that? This is an investigation to know, and I want to know if my own government that is supposed to be overseeing this, that I frankly thought had problems with this program, I want to know if they were properly able to oversee this program? It is a simple and very clear answer. I want to make sure under oath you are stating it clearly, not something you want me to believe, but I want to know the truth and the committee wants to know the truth. I want to have some confidence that my government that was overseeing it knew what the heck was going on.

Were they able to properly oversee this program?

It is a simple answer.

Ambassador Kennedy. Because of the efforts of Saddam Hus-

sein, in that sense, no, sir, they were not.

Mr. SHAYS. In any sense they were not able to. The reasons why we will explore later. But were they able to properly oversee this program? You do know they are testifying afterwards?

Ambassador Kennedy. Yes, sir.

Mr. Shays. And you are aware of the complaints they had, I hope?

Ambassador Kennedy. Yes, sir.

Mr. Shays. Even before this hearing, correct?

Ambassador Kennedy. Absolutely.

Mr. SHAYS. Were they properly able to fulfill their responsibilities and oversee this program?

Ambassador Kennedy. Up to a point yes; and beyond that, no. Mr. Shays. You are going to have to tell me yes, up to what point and after what no. You tell me up to what point were they able to?

Ambassador Kennedy. They were empowered by the resolution of the Security Council to authenticate materials that were arriving. They authenticated those materials.

Mr. Shays. Wait a second. Are you saying that they authenticated these materials? Are you saying they had a theoretical power to do it or are you saying they actually were able to do it? There is a difference.

Ambassador Kennedy. It was their mission——Mr. Shays. I want to know if they were able to.

Ambassador Kennedy. I was not at every border station, sir. They authenticated the materials and submitted documents to the United Nations saying they had authenticated material.

Mr. Shays. Isn't it a fact that they said they didn't always have the people? Isn't it a fact that they said sometimes they couldn't even look, that is, in terms of Saybolt, sometimes they could not even be there, and when they left, isn't it a fact that they had suspicious?

Ambassador Kennedy. Absolutely. And we have testified to that effect.

Mr. Shays. That is what is frustrating me. And you are someone who was in Iraq, a friend, and someone I have awesome respect for. What concerns me is you are giving a party line that even you do not believe. I feel very awkward having this public dialog with you, but it is so logical it is almost frightening to me that we cannot at least have the truth and then work from that as to what. I don't want to know why they were not able to authenticate the fact that this happened. I want to know if they did. Then we will explore why they couldn't.

Ambassador Kennedy. Mr. Chairman, I have tried to answer the question the best I can. And I appreciate the compliment you just paid me. I believe that Cotecna and Saybolt attempted to carry out the functions that they had.

Mr. Shays. We agree. They attempted to do that. On one level we are in agreement. The question is could they? The answer is a

simple one

Ambassador Kennedy. Absolutely. The results were not perfect. Mr. Shays. I did not say perfect. Perfect is too much discretion. Perfect may mean 99 percent, and I don't think it was even close to 50 percent. I don't think they had the power and I don't think anyone who has looked at this program believes they had the power, and I think they are going to testify they did not have the power. What concerns me is you were basically trying to give the impression they were not perfect but, and I think that is misleading to the committee. I think it does not do you credit.

I don't want you to say anything you do not believe. I just do not want you to speak in words that do not frankly help us. I want you

to be more precise.

Were they able to make sure that oil sales were actually the oil sales they were and that commodities that were purchased were actually what was bought to the amounts that were bought, the quality and so on? Were they? Maybe you can look at that note and hopefully somebody else is telling you to say no.

Ambassador Kennedy. It was the position of the United States and joined by the United Kingdom that we wanted a more robust inspection regime. We wanted more robust inspections. Obviously, I think I am trying to answer your point. I am saying yes, there were restraints inherent in the program that prevented Cotecna

and Saybolt, and Lloyds before that.

Mr. Shays. The problem with the word "robust" is like your word "perfect." It was not robust, so to say that you wanted it to be more is almost meaningless in my judgment as I have looked at this. This was a program that was basically not working. I want you to start us off explaining why it was not working. You have given a justification as to why we basically allowed for this program to go forward even though it was not working. So you have given a lot of people cover, but you have not helped us understand whether you, the government, the State Department, this administration, felt this program worked. You are trying to give us the impression that it was working, but not perfect; that it was robust, but it could be more robust. That to me is misleading. That is what I am wrestling with, and I am trying to understand why. Why do you want me to have this impression?

Ambassador Kennedy. Mr. Chairman, I grant you, and I am looking for another word other than "perfect."

Mr. Shays. Have you been instructed to say that this program worked when it did not work?

Ambassador Kennedy. No, sir.

Mr. Shays. Was there any meeting did you had before that said under no circumstances are you supposed to agree that the program did not work?

Ambassador Kennedy. No, sir.

Mr. Shays. Was the program working?

Ambassador Kennedy. The program accomplished some of its goals, as I have said.

Mr. Shays. What were the goals?

Ambassador Kennedy. The goals of the Oil-for-Food Program were to relieve the humanitarian crisis of the Iraqi people and retain a sanctions regime on Saddam Hussein that would assist in restricting his desire to rearm. He had other means of attempting to rearm, as you rightly pointed out, sir. He attempted and he did utilize those means, but the program did deliver food and medicine

and other supplies and equipment to the Iraqi people.

Mr. Shays. That part we concede. I'm going to concede that part.

Because we knew that Iraqis were starving and we knew they weren't getting medicine and we knew that Saddam Hussein was willing to starve and kill his people and deprive them of medicine, we decided to cave in and accept a program that simply on the face looked like we hadn't caved in, looked like there were sanctions, but in fact it was about as leaky as it could get. And I wanted to understand if you understood that it was very leaky. Instead you used words, I wanted it to be more robust and I want it to be perfect.

But it wasn't perfect and it wasn't more robust. The bottom line was almost every transaction, it appears, may have been a rip-off, may have been a transaction that compromised the United Nations, compromised other people, and allowed Saddam Hussein to make money illegally without the world community having to agree that he was. That's the way I look at it. Tell me what's wrong with my picture.

Ambassador Kennedy. Your picture is absolutely correct. Saddam Hussein-you mentioned earlier, sir, in our discussion that you take Saddam Hussein. He was sanction-busting from 1991 until the Oil-for-Food Program started in 1995—1996. He was sanction-busting. The Oil-for-Food Program was put into place. He attempted to get around the sanctions regime at every possible

opportunity-Mr. Shays. And the irony is-

Ambassador Kennedy. He priced—

Mr. Shays. Go on.

Ambassador Kennedy. He attempted to write contracts for oil where he priced the oil below the market rate and attempted to pocket that premium. We discovered that, and the United States and the U.K. raised that in the 661 committee, and then halted all price-setting under the old scheme until we achieved putting a new system into place which set the oil price retroactively after the sale; in other words, stopping him from getting a surcharge.

Having blocked him in that regard, he then moved to another aspect which was kickbacks after sales. We attempted to block that. So it was almost—and I hate to say this—a chess game. He attempted to maneuver and we attempted with certain allies, but not

enough of them, to seize and block his activities.

And so I am agreeing that sanctions are leaky. The sanctions regime did not work as it was intended; i.e., to have 100 percent effectiveness.

Mr. Shays. No, don't say 100 percent, because I'm not even sure you had 50 percent. So don't say 100 percent. No, I mean, if the truth comes out, whatever the truth is, it may embarrass the United States. It may embarrass someone else. It may embarrass Congress. But it will be the truth. And from the truth we can learn from it.

And my problem right now is what you are suggesting is that basically Saddam was willing to kill his people by not getting the food and not getting medicine and he wasn't willing to do an Oil-for-Food Program that we wanted, so ultimately we did a program that he wanted. He was able to buy or sell in euros. He was able to undersell his oil. He was able to overpay for commodities. He was able to get kickbacks. He was basically able to tell Cotecna and Saybolt basically they had no authority. He was basically able to ignore them. He was basically able to have more transactions than they could even handle so that they weren't even aware of some transactions. And he did this with the assistance of our allies.

And it's not a bad thing that Americans and the world community have to contend with this because it suggests that even before a decision to go into Iraq, it suggests frankly to me that we didn't have the support of our allies, that President Clinton didn't have the support of our allies, and that it was somewhat of a joke. And that when you had a President finally trying to say, you know, we've got to make this program work and we also have to look at a regime change if he doesn't cooperate, and we still don't have the assistance of our allies, it says to me, well, what's new? What's new about it?

Are you saying to us that the allies cooperated? No, your testimony was the reverse. Isn't it true that you said the allies did not cooperate and enable us to have a sanctions system that is working? Is that a fair statement?

Ambassador Kennedy. I totally agree sir. As I testified, we sought a sanction regime and we were unable to get the sanction regime we wanted, yes, sir because of the lack of willingness on the part of other members of the Security Council and other nations to agree to that sanction regime.

Mr. Shays. OK. And so they didn't agree with it. And then we had a sanction that Saddam basically could live with; and isn't it true that on occasion, the United States protested some of the transactions?

Ambassador Kennedy. We contested many of the transactions. We were holding at one point, as I mentioned, sir, \$5.4 billion worth of proposed transactions.

Mr. Shays. Well, but isn't it true that there were actually transactions that happened that you objected to?

Ambassador Kennedy. No, sir the system operated on the consensus basis, and if any member of the 661 committee representing the member states of the Security Council, if any member objected

to a transaction, that transaction was held-

Mr. Shays. OK. Why didn't you object to the fact that Saybolt and Cotecna did not have enough manpower and were not given the authority they needed to make sure that they were actually documenting the actual transactions? Why didn't the United States protest their inability to accurately document transactions?

Ambassador Kennedy. For example, sir, when we learned that—using the Essex case, the oil tanker in which—it was topped off

after it had been loaded—we did raise that in the 661 committee. We insisted that additional personnel, additional technical matters, whatever, we demanded to the 661 committee.

Mr. Shays. And it didn't happen. And why didn't it happen?

Ambassador Kennedy. Some of it happened, some of it didn't, because it was resisted by other members of the 661 committee.

Mr. Shays. Most of it didn't. Most of it did not happen. And it didn't happen because it just took one member to object, correct? Ambassador Kennedy. Correct.

Mr. Shays. OK. So you could theoretically prevent a transaction from happening that you knew about, but you couldn't make sure that Cotecna and Saybolt had the authority, the personnel, to make sure that they were properly running this program.

Ambassador Kennedy. The mandate to the companies came from

Security Council resolution and from the 661 committee.

Mr. Shays. Is that yes or a no?

Ambassador Kennedy. The answer is that their mandate was governed by the consensus requirements. And, yes, a member state could hold on that consensus and that would have the effect that you outlined.

Mr. Shays. Why can't you say that the bottom line to it was that because member states would object if you wanted Saybolt or Cotecna to have more authority, more personnel and so on, because they objected to it, they didn't get it; and because they didn't get it, they couldn't do their job properly? Why is that so hard to say?

Ambassador Kennedy. Phrased that way, sir, I have no—

Mr. Shays. Well, why don't you say it?

Ambassador Kennedy. The mandate to Cotecna, to Saybolt, was governed from the original Security Council resolution and then implemented in the memorandum of understanding and in the 661 committee. Efforts to achieve our goals on sanctions were blocked by other member states.

Mr. Shays. That's not the same thing that I said, which you agreed with. What I wanted to know from you is whether you could say this. And if you can't, because you don't believe it, then tell me you don't believe it. But don't agree with my statement and then tell me something else in your answer.

What I said was because a member state could block the United States or Great Britain from wanting Saybolt or Cotecna to have enough authority and enough personnel to properly document transactions because member states could veto that—any one state, and did—that they did not have enough personnel and they did not and were not able to properly document transactions.

What you said to me was you agree with that statement, but you can't say it in your own words, and I just don't understand why it's

hard for you to say it in your own words that way.

Ambassador Kennedy. I guess, sir, because I think—the only distinction I am trying to draw, if I might, is that there were transactions outside the scope of the Oil-for-Food Program.

Mr. Shays. We have put those aside. We're just focused on the Oil-for-Food.

Ambassador Kennedy. All right. Then, yes, Cotecna and Saybolt and their predecessor in one case did not always have the resources they needed to do their job, yes.

Mr. Shays. Or the authority? Ambassador Kennedy. Yes.

Mr. Shays. Yes, what?

Ambassador Kennedy. Yes, they did not have the full authority to do their job because the mandate from the Security Council was not as broad as we wished it would have been.

Mr. Shays. Wished it would have been. As it should have been; correct?

Ambassador Kennedy. Should have been, yes. It was our goal, as I said, to have a more robust sanctions regime. That's—

Mr. SHAYS. Don't say more robust. It was not robust at all. It was a paper tiger, it was a leaky sieve, it enabled Saddam to get \$4.4 billion. It was a joke. And you don't have to say it was a joke. I can say it was a joke. But you and I can certainly agree it wasn't robust. Was it a robust program?

Ambassador Kennedy. No, sir, it was not a robust program.

Mr. Shays. OK. Was it close to being a robust program?

Ambassador Kennedy. I think I'm——

Mr. Shays. Was it close to being a robust program?

Ambassador Kennedy. No, it was not close to being a robust program.

Mr. Shays. OK. Well let's leave it right there.

Mr. Waxman.

Mr. Waxman. Mr. Chairman, earlier today at this hearing I moved for two subpoenas, and we held off any vote on them. As I understand it, you're willing to issue the first subpoena to the Federal Reserve Bank in New York to get the information that we have requested; and rather than issue a second subpoena, you've suggested that you and I write a letter to the Department of Defense requesting the information that we wanted and would have subpoenaed.

I want to thank you for your suggestion of resolving these subpoena questions in that way. I think it will be very helpful for us to issue the letter to Secretary Rumsfeld, insisting he comply with this request. And, of course, I take you at your word that the committee will followup aggressively if the Pentagon fails to provide

the documents we have requested.

I think this is a reasonable way to proceed, and rather than have a vote on it, I would like to have this understanding memorialized at this point in the hearing so that we can go ahead with the one subpoena and issue a joint letter from the two of us in lieu of the

second subpoena.

Mr. Shays. Thank you. I appreciate the gentleman's, one, effort and interest in this issue. I think he is correct in wanting to get these documents. I do totally agree that the Bank needs a subpoena, and I also want to say to you that we've asked for 12 documents, records—more than 12—but we have made 12 specific requests that are quite extensive, and it is my expectation that the Secretary will provide these documents, and if he doesn't then we need to followup with the subpoena.

Mr. WAXMAN. Well, I thank you very much. I certainly agree with you, and I think it's a reasonable way for us to proceed, to have all of the information which our committee ought to have as

we do the investigation and in all respects.

Mr. Shays. Thank you very much.

Mr. WAXMAN. Thank you.

Mr. Shays. Thank you. Thank you for being here.

Mr. Shays. Thank you. Mr. Murphy, you have the floor.

Mr. Murphy. Thank you, Mr. Chairman. I just have a couple of questions here that I—and I apologize if some of these were covered while I was on the floor of the House.

But, Ambassador, I thank you for being here, and I wanted to know where do we stand with the status of gaining access to the United Nations Oil-for-Food Program documents for Congress now and—can you give me some background with where we stand right

now?

Ambassador Kennedy. The State Department has asked Chairman Volcker of the independent investigating committee for the release of the documents, and up to this point he has declined, saying that he is using the documents and he intends to conduct his investigation. And he has declined to release them, sir.

Mr. Murphy. Those would just be documents, official U.N. docu-

ments; is that what you're saying? Ambassador Kennedy. Yes, sir.

Mr. Murphy. Is anyone trying to pursue documents from any

other country, too? Is there any attempt to do that?

Ambassador Kennedy. Yes, sir. Before I left Baghdad in August, I had presented to the acting chair of the Board of Supreme Audit a proposed memorandum of understanding between the United States and Iraq to release for use of government of Iraqi documents. And I understand that work is continuing and we hope to have a resolution to that request in the very near future. I checked with Baghdad just the other day and I am expecting those-

Mr. Murphy. So those documents are being scanned now.

Ambassador Kennedy. We are attempting to make an arrangement between various parties to scan those documents.

Mr. Murphy. Now, how about the reverse? We have access to the Iraqi documents. Those will be released soon.

Ambassador Kennedy. The request has been made, sir, yes.

Mr. Murphy. The request has been made. How about the reverse? Is there any attempts to obtain documents from some of these other countries that are part of this scandal: Russia, France, China, Syria?

Ambassador Kennedy. I believe that the request to other nations for their documents is within the jurisdiction of the independent investigating commission, Mr. Volcker's commission.

Mr. Murphy. Are those nations cooperating?

Ambassador Kennedy. That is a question that would have to be

posed to the independent investigating commission, sir.

Mr. Murphy. Let me ask about another area here. When it became apparent-and it was some years ago-that the issue, the question of some corruption in this Oil-for-Food scandal began to take some legs on it, what was the responsibility of the U.N. Office of Iraqi Programs to maintain the integrity of this program, and did they act within the scope of their responsibility at that time?

Ambassador Kennedy. That is a question, sir, that is actually part of the investigation that is going on now by the Independent Investigations Commission. We are aware of information that did come to the attention of the United States, including some from the Office of Iraqi Programs; which then as a member state, as a member of the 661 committee, the United States, the United kingdom,

did followup on.

If there is other information that came into their possession that they should have followed up on that we are unaware of, of course we are unaware of that information, and that is one of the charges that was given to Chairman Volcker and his colleagues on the Independent Investigations Commission, to find out if there was any malfeasance, misfeasance. And I am not a lawyer, so I may not be using the appropriate words on the part of U.N. employees, but that is one of the mandates of the IIC, to look and see if U.N. employees conducted themselves as appropriate-

Mr. Murphy. But it appears that there is some lack of coopera-

tion in releasing doubts that would help us know this.

Ambassador Kennedy. Chairman Volcker has indicated to me that his investigation is ongoing and he intends to gets to the bottom of it and then file a full and complete report. I can only report, sir, what he has said to me.

Mr. Murphy. Does he feel that he is getting cooperation from the

member nations and from the U.N. itself, fully?

Ambassador Kennedy. He has indicated he is getting full cooperation from the United Nations Secretariat. I have not posed the question about discussions with other nations.

Mr. Murphy. Also in the historical time line of this, what was the year in which the concerns about corruption first began to sur-

face?

Ambassador Kennedy. First of all, corruption only within the Oil-for-Food Program itself, or issues about Saddam Hussein's sanctions-busting in general? I mean, the fact that he was engaged in oil smuggling came to our knowledge, you know, in 1991–1992. That's outside of the Oil-for-Food Program. And efforts were made then by the United States and others, and it led to the establishment of the multinational interdiction—maritime interdiction force, which were United States and other nations' naval assets deployed in the Shatt al Arab and the Gulf to seize that. We first, I think, became aware of his schemes related to oil, the premium on oil pricing, in July 2000, which is where he was-

Mr. Murphy. Did the involvement of other countries and the Oilfor-Food corruption continue after July 2000? So even after the United States became aware, did it continue?

Ambassador Kennedy. We began pushing for a system to bring this under control. It was resisted by other nations. We were challenged. We said, do you have hard evidence? Do you have

Mr. Murphy. Wait. Who was asking for the hard evidence?

Ambassador Kennedy. Other nations. Mr. Murphy. Which nations were they?

Ambassador Kennedy. I would have to go back and read the exact text again.

Mr. MURPHY. France.

Ambassador Kennedy. France.

Mr. Murphy. Germany.

Ambassador Kennedy. France, Russia, and China would be theMr. Murphy. Syria.

Ambassador Kennedy. Syria was on the committee at one point. I mean, over the course of the 13 years, there were many nations on the—and in 2000 when this first came to our attention—

Mr. Murphy. So the very nations that are—

Ambassador Kennedy. The nations changed every year.

Mr. Murphy. I want to make sure I understand what you're saying. So the nations that the allegations are against now, at that time were saying you don't have any evidence on us?

Ambassador Kennedy. Yes, sir. They were saying, do you have hard proof? And we said, we are getting these stories, its being reported in industry trade publications, it's being reported elsewhere. This must be addressed.

We pushed and we pushed and met a lot of resistance, and since we were meeting this resistance, if I might for a moment, sir, the program then was to set the oil price at the beginning of the month. And then what Saddam was playing off of was the volatility of the oil market where the price would move 10, 15, 20, 50 cents a barrel over the course of the month, and then he would sell at one price and sell to a favored supplier and say, I'm going to sell to you at the peg price of \$20.50, but now that the price for the rest of the month is \$20.75, you keep the nickel and you kick me back 20 cents. When we saw that this is what he was doing, and then we met the resistance from others to our activities, what the United States and the United Kingdom then did was to refuse to set an oil price at the beginning of the month. So there was no oil price. Oil sales went on, but there was no price.

We then agreed to an oil price at the end of the month that would then deprive Saddam Hussein of playing with the volatility of the market. And by setting a retroactive price, we believe that from the oil overseers—which were the professionals who had been engaged—that still he was potentially making something, but it might have been on the order of 3 to 5 cents a barrel as opposed to on the order of 25 to 50 cents a barrel simply because of the movements over the course of the month.

Mr. Murphy. And what countries were involved with that after the United States has worked to deal with oil prices at the end of the month? What countries were still purchasing oil and giving him a kickback at that time?

Ambassador Kennedy. We do not know which country. That is part of the investigation now. I do not have in front of me a confirmed list of what countries were engaged in that. I should say these were national—these were companies that were purchasing the oil and giving kickbacks, not nations themselves.

Mr. MURPHY. Well that's an important distinction. Was there any role or awareness, for example, of the French, the Russian, Chinese governments of these kickbacks going on?

Ambassador Kennedy. We informed their members of the 661 committee.

Mr. Murphy. So they were informed. Back in what year? Midnineties?

Ambassador Kennedy. In 2000, sir, when it came to our attention. It was first raised, I believe, in the July 13, 2000 meeting of the 661 committee on oil price.

Mr. Murphy. So that's the definite date by which we know that those member nations were notified. And I'm assuming that in the U.N. investigation we may find that those member nations knew something prior to that, but we don't know.

Ambassador Kennedy. That would be speculation, sir, that I can-

not comment on.

Mr. Murphy. But they were notified at least in the year 2000, and yet the Oil-for-Food purchasing continued on after this. It

didn't end in 2000. It continued on; am I correct?

Ambassador Kennedy. We believe that because of the steps we took to put this retroactive pricing, that we drove the premium or surcharge down from, you know, multiple cents a barrel to 2 or 3 cents a barrel. But I cannot say that we ended it entirely, because Saddam Hussein was always looking for some way to get around the sanctions.

Mr. Murphy. Mr. Chairman, I'm not sure. Could I have 2 more minutes or 1 more minute?

Let me shift to a different line of questioning here. The total amount of money that I understand Saddam Hussein received from this Oil-for-Food corruption was of the nature of \$10 billion, am I

correct, \$10.1 billion? In the whole package of things here.

Ambassador Kennedy. He achieved much more than that if you count in the oil smuggling that took place outside the scope of the Oil-for-Food Program, and it is very difficult to get an exact estimate. But I'm in no position to challenge the figure that we are talking about that was provided by the Government Accountability Office. I have every reason to believe that figure is probably in the ball park.

Mr. Murphy. So it's probably in the ball park. It may be more. Ambassador Kennedy. Could be a little more, a little less. Yes,

sir

Mr. Murphy. OK. And what did he do with the money?

Ambassador Kennedy. He did a wide variety of things, I'm sure. Some of the sumptuous palaces that are extant in Baghdad at this time are undoubtedly built with that money. And he may well have done other things, but I don't have direct and confirmed information about that.

Mr. Murphy. Will we have information from these investigations with regard to what he spent that money on? For example, did he purchase weapons on a black market or directly with that money?

Ambassador Kennedy. I do not believe that is going to be the subject of the Volcker or the IIC investigation. That may come out

through other U.S. Government channels, sir.

Mr. Murphy. As we connect the dots, the thing that worries me intensely on this is not only the oppression Saddam Hussein kept his people under, the tortures and the murders, the killing fields which continued on at that time, but also it kept his regime going, much of it in sumptuous palaces which I have seen in Iraq. But the third, it kept his military going.

And I would hope that somebody would find in this—I'm sure,

And I would hope that somebody would find in this—I'm sure, Mr. Chairman, this is some of your concerns as well—that if one penny of that was used to buy any bullets or bombs or grenade launchers or anything else, I suspect on the black market, because he's not permitted to purchase them overtly—and this is where we

have to also connect the dots to find if those companies within those member nations of the U.N. have blood on their hands

against our soldiers.

And I would hope that is part of what this investigation brings out; that those nations who acted holier than thou in saying, you don't have any evidence, you don't know anything about what's going on, but also saying stay away from Iraq, they're nice people, leave them alone, could very well be—and this is the crux of what we have to find out from this investigation—if they were sending the money to Saddam Hussein which he used to arm his soldiers against the world.

Ambassador Kennedy. I agree. That is something that is abso-

lutely abhorrent; absolutely, sir.

Mr. Murphy. And I hope the world is paying attention to that, because all this time that people are looking at let's ask the United Nations, they're not an altruistic system. Let's ask other member nations to come out and somehow decide what is best for the United States. The fact is no Ambassador from another country is given a mission of deciding what's best for the United States. They're all supposed to represent their own nation. And I hope that people pay attention to this; that when you have this sort of absolute power to spend and to find that kind of money, that nations and the businesses that operate within them are not pure. And we may like to think about perhaps these other nations may have some pure motives, but quite frankly, there's too much in the negative column to suggest otherwise.

And I would hope that the investigation of this committee, led by the chairman and by the United Nations, would give us that answer. I wish we could get that answer soon. But as it is, I go back to my opening statement, too, that it concerns me deeply that these nations which have been very quick to ask us for help when they needed it, when we ask them for help—if they knowingly participated, if it was active or passive participation in sending money to this murderer Saddam Hussein, which he then used to keep his military regime in power, which was then used against our own

soldiers and citizens is disgusting.

Thank you, Mr. Chairman.

Mr. Shays. I'll allow counsel to ask a few questions, and then I'll have a few more, Ambassador, and then we'll be all set. Mr. HALLORAN. Thank you, Mr. Chairman.

Ambassador Kennedy, two areas. First, much of the document, many of the documents the State Department has provided are marked sensitive or classified because of their foreign origin, I believe. In particular, there has been recent media reference to a document produced by the Iraqi Oil Ministry soon after the Governing Council and the CPA was in place, characterizing in detail the Oilfor-Food Program and abuses. That report is marked sensitive and classified and not for distribution.

I'm wondering what the process is for the U.S. Government to request or accomplish the declassification and public release of such a report.

Ambassador Kennedy. Let me find out those exact parameters and get back to the committee for the record.

Mr. HALLORAN. Thank you.

The other area I want to explore is this concept of sovereignty, and try to plumb the depths and the parameters of that concept. It struck me in your testimony that it is not an absolute, that I—if you could describe other situations in which sovereignty has been described or observed differently in other U.N. regimes; that it's struck us in the documents that Saddam simply waited out those who had the most expansive view of sovereignty possible, but that other formulations of this problem were possible within a plausible concept of sovereignty for a nation that was already under an oppressive sanctions regime, that had already been documented as trying to avoid that sanctions regime. So, in one sense, the sovereignty had already been severely mortgaged.

Could you describe those negotiations a little more, please?

Ambassador Kennedy. I will first plead that I am not an international lawyer and I am not qualified to provide you with a textbook definition of sovereignty. What I believe we are talking about here is, I will call it a political definition of sovereignty. The United States, the United Kingdom, other allies, sought to put into place, and did in 1990 after the invasion of Kuwait, a complete embargo on the movement of goods and services into Iraq. And then it was later amended to permit certain donations of food and medicines.

But as we saw over the course of the years between 1991 and 1995, you know, the mortality rate; the ability of the Iraqis to get basic basic nutrition, was just simply collapsing because of Saddam Hussein's own unwillingness to treat his people in a humane sense. This built political pressure on those nations who were in favor of sanctions. And we did not wish to see that sanctions regime end, because of our goal of doing whatever possible to restrict the movement of materials of war to Saddam Hussein so he could re-arm.

So taking the political aspect of trying to keep the sanctions in place, but seeing the resistance, a series of negotiations took place within and among member states at the United Nations to formulate a new regime that eventually led to the Security Council resolution that established the Iraq program.

Did we want a program that had more teeth in it than that? Absolutely. Could we get other nations to agree to that fully and completely? Could we get Saddam Hussein to tell the other nations that he was willing to accept that? The answer was no. Why——

Mr. HALLORAN. So we can conclude there is another formulation of the Oil-for-Food arrangement that would give Saddam less control but still observe the concept of the sovereignty.

Ambassador Kennedy. As I said in my testimony, yes, one could have had such another activity. However, in the negotiations that took place in the 661 committee and in the Security Council, we did not achieve that consensus on a regime with more teeth.

Mr. HALLORAN. Thank you.

Mr. SHAYS. Thank you, Ambassador. Let me ask you, how many months were you in Iraq?

Ambassador Kennedy. I was in Iraq for 6 months in 2003 and then I went back again for another 3 months' assignment in 2004, sir.

Mr. Shays. Was that a classified assignment, then, or can you tell us, bottom line, what you were involved in?

Ambassador Kennedy. No, sir. I can tell you. For the first 6 months in 2003, I was the chief of staff of the Coalition Provisional Authority, and then when I went back in 2004, I was the chief of staff of a small unit that was working on the transition from CPA to American Embassy and the transition logistically from the Iraqi Governing Council to the Iraqi Interim Government.

Mr. SHAYS. Well, we know those were not easy assignments, and we sincerely appreciate what you did during that time. I would like you to describe to me the Clovely incident, C-L-O-V-E-L-Y, the

ship. Are you familiar with it?

Ambassador Kennedy. No, sir. I am aware of the Essex incident that took place several years ago, but, Mr. Chairman, I will be glad to research that and provide you information for the record. I apologize. I am unaware of such.

Mr. Shays. You don't need to. If you don't know of the incident,

I'd just as soon you not respond to it.

When I listened to your statement, and I really—you know, we don't usually allow someone to speak for more than 10 minutes. I wanted to hear your whole statement. I think why I get uneasy is certain things seem so simple to me, and then they are the hard things. And then I think you have a big dialog about the hard

things.

The easy things are that it's clear Saddam starved his people and deprived them of medicine and would have continued to do that unless we had some way to allow him to get food and medicine for his people. And we basically decided to let him determine, really, how the program should function. He decided it was in euros, not dollars. He decided who could buy oil. He decided who he would buy commodities from. He basically set the price of oil. He set the price of commodities. He undersold his oil. No reason to do that. He overpaid for commodities. No reason to do it, unless he did what he did. And that was, he got kickbacks in both ways.

And it seems very evident to me that both Saybolt and Cotecna did not have the capability, either in personnel or authority, to prevent bad things from happening in this program. And so they happened routinely, not on occasion. It seemed to me we could have just had a quick dialog. What is of concern to me, is there anything

that I just said that you would disagree with?

Ambassador Kennedy. No, sir. If I do, is that one that neither Saybolt nor Cotecna set the price of oil or set the price of commodities.

Mr. Shays. No, they didn't. Ambassador Kennedy. No, sir.

Mr. Shays. So everything I said was pretty accurate from your standpoint.

Ambassador Kennedy. Except, sir, that he proposed the price of

Mr. Shays. He being——

Ambassador Kennedy. Saddam Hussein. He proposed the price of oil, but the price of oil was then set by the 661 committee, not by Saddam Hussein. He—

Mr. Shays. And in some cases set it below market price.

Ambassador KENNEDY. When it was set at the beginning of the month, when the market moved, it ended up being below market

price, which is why the United States and the United Kingdom moved to set the price at the end of the month so that he could

not take advantage of the natural market shifts. Yes, sir.

Mr. Shays. And so I'm getting to my point. What concerns me is that you basically have described to me the reality that our allies who didn't support the embargo were pretty much shaping it, and that was the reality of this program; and that it was more important to have the program happen, even though it wasn't working properly. In other words, having the program and not having it work properly was better than not having the program at all. I conclude from that, because you felt the only alternative was that we would continue to see Iraqis starve and they wouldn't get the medicine. And I guess that's the conclusion of the State Department.

Ambassador Kennedy. I think, sir, if there had been massive starvation in Iraq, I think the belief at that time—and I was not there—was that the entire sanction regime totally would have collapsed, and then Saddam Hussein would have had no sanction regimes to have to deal with at all, and that free rein would have

been not in the U.S. national interest.

Mr. Shays. OK. But the bottom line is as a result, we had Saddam able to make a fortune in kickbacks. That was basically the compromise. And it is a fact that the United States knew this was happening.

Ambassador Kennedy. Every time, sir, that we saw him move to abuse the system—pricing oil, kickbacks—we moved to try to counter that in the 661 committee; and, as you have rightly noted

earlier, sir, met resistance from other member states.

Mr. Shays. Who could veto.

Ambassador Kennedy. Yes, sir. The way the Security Council procedures work, yes, sir.

Mr. Shays. Ambassador, are you set to ask questions? Would you like to ask some questions?

Ms. Watson. Yes.

Mr. Shays. Thank you. We have two Ambassadors here.

Ms. Watson. I am a bit confused—thank you, Mr. Chairman—because I just heard you say that every time you saw something appeared abusive, that there would be some response. However, we have been told how Saddam Hussein had taken the money intended for the people and food, and built magnificent palaces. It seems to me that this would be the time that some action should

have been taken. Can you respond, please?

Ambassador Kennedy. There is no doubt, Madam Ambassador, that Saddam Hussein received kickbacks. That is a fact. We moved to counter those kickbacks, but during this period of time while he was making kickbacks, and as I testified before this committee several months ago, what he did was on very large quantities of goods, and he—remember, he was feeding a nation of some 23 to 25 million people—he would attempt to get very small kickbacks on very large sums. But the sums mount up over that kind of volume. He was receiving those funds. Yet the medicines and the foodstuffs were still going in.

I am not defending what he was doing by any means. What he was doing is wrong. But the food and medicines were going in, and he was getting the kickbacks while we and our United Kingdom al-

lies moved to cutoff either his attempt to manipulate oil prices or attempt to add surcharges or attempt to add after-sales service contracts. And so we took steps to block him as soon as we discovered it. And as we have discussed earlier, we were not successful

in blocking all his activities.

Ms. Watson. And I know, Mr. Ambassador how difficult this is. I have been there, too. However, I think you're the only one that can help our understanding of what went wrong so wrong. And so I understand that the Oil-for-Food Program helped provide food for 27 million Iraqi residents. It prevented malnutrition. It reduced communicable diseases. It eradicated polio, and was a major success for a period of time. We're focusing on \$4.4 billion of a \$67 billion humanitarian success story.

So do you believe that this program met its objectives, and do you believe that we as the United States, and the monitors who were participating, were on the job? I need to know out in the field what it was that was lacking and how we lost so much of the fund to corruption. What was it that should have been done beyond

what you've just described?

Ambassador Kennedy. The Oil-for-Food Program had multiple objectives. One objective was to ensure that foods, medicine, and other essential human needs of the Iraqi people were met. And so to that extent, it met its objective by ensuring that the infant mortality rate and maternal mortality rate, which had gone up, went back down.

The nutrition was achieved by the Iraqi people. So yes, it met that objective. But in terms of being a sanctioned regime that stopped any attempt by Saddam Hussein to bust the sanction regime and keep him from cheating on the sanctions regime, busting it and then potentially using those funds to get other materials, it was not a total success. But—

Mr. Shays. Would the gentlelady suspend for a second?

Ms. Watson. Certainly.

Mr. Shays. When you say "any attempt" and "it was not a total success" as it relates to that part of it, you seem to be going back and suggesting that the abuses were infrequent. Is it your testimony that the abuses were infrequent?

We've already conceded that people are going to get aid. They are going to get money and medicine. But on the other side of the equation, is it your testimony that it was just any attempt, we didn't succeed in any attempt? Where the abuse is more frequent, happened more than less? I want to know which way you see it.

Ambassador Kennedy. The abuses, Mr. Chairman, were continuous. But they were, if I might, sir, they were different abuses each time. I mean, he abused it with oil smuggling outside of program. He abused it with kickbacks. He abused it with premiums on oil. He took different steps, so continuous abuse, different tools that he used each time to cause the abuses, sir.

Mr. Shays. Thank you. Thank you.

Ms. Watson. If I might continue—and if you want to continue to respond to my last question, fine—but let me raise another issue. What other U.N. bilateral or multilateral mechanism besides the 661 committee could the United States have utilized to publicize and put an end to these practices? I'm concerned that too

much of the oil moneys were diverted in other directions, and those who suffered were the Iraqi people. With the Coalition, what could have been done to end this misuse?

Ambassador Kennedy. With Saddam Hussein as the figure here, I don't know that anything would have stopped Saddam Hussein from attempting to get around any activities.

Ms. WATSON. Well let me just ask you this, then. What would have stopped the flow of funds into the program Oil-for-Food?

Ambassador KENNEDY. The only thing that would have stopped it would have been if you had had a different sanctions regime. But the sanction regime that was put into place was the one that was the result of long, extensive, and arduous negotiations with other member states to achieve that sanctions regime. If you had had a regime in which, again, hypothetically a company had pumped all the oil, sold all the oil, and bought all the goods and sent them in, then there might not have been any leakage as you described. However, there was not the political will on the part of nations to impose that kind of a sanctions regime.

Ms. Watson. What of our political will here? Did we make a strong enough effort, Security Council in the United Nations, to bring their attention and get a focus on possibly changing the kind of structure that we had? What was being done from within?

Ambassador Kennedy. I only arrived at the U.S. mission to the United Nations in the fall of 2001. But my preparation for this, my reading of the very extensive record, indicate that the U.S. Government made extensive efforts to get the most teeth into sanctions that it could, and met resistance from other member states who are unwilling to accept that.

Ms. Watson. I understand how difficult it is when you're coming in and programs like this have been running. That is the reason why we were concerned on this committee with our oversight, and we wanted to see what records, what documents, documentation, what facts there are held by other departments and branches. I understand that there were 60 staffers and five different U.S. agencies who reviewed each of the Oil-for-Food contracts. If we had that information, then my questions might be answered.

And I want to thank you for your service, and I want to thank you for coming here and being on the hot seat. But I think there should be some others that are on the hot seat so we can find where we went wrong, where it went wrong.

We know that Saddam Hussein was wrong. But that doesn't excuse this whole thing. And so we would just like to get to the bottom of it. I appreciate your service and I thank you so much for trying to explain what happened before your duties started. But we are trying to seek truth.

Thank you, Mr. Chairman. Mr. Shays. Thank you.

Just very briefly, Ambassador, do you feel this story should come out?

Ambassador Kennedy. Absolutely.

Mr. Shays. Do you feel this story should come out, even if it embarrasses our allies?

Ambassador Kennedy. Absolutely.

Mr. SHAYS. Do you believe it should come out, even if it embarrasses some allies and makes it more difficult to get their cooperation in Iraq?

Ambassador Kennedy. Absolutely.

Mr. SHAYS. Thank you. Thank you very much. We are going to go to our next panel. Thank you.

Our next panel, our last panel, and many hours later, David Smith, director, Corporate Banking Operations, BNP Paribas; Peter W.G. Boks, managing director, Saybolt International B.V; and Andre Pruniaux, senior vice president, Africa and Middle East, Cotecna Inspection SA.

If you would all stay standing, we will swear you in. If there is someone else who might respond to a question, I would like them

to be able to be sworn in as well.

So we have David Smith, Peter Boks, and Andre Pruniaux. Thank you. And we swear in all our witnesses. If you'd raise your right hands, please.

[Witnesses sworn.]

Mr. Shays. Note for the record, our witnesses have responded in the affirmative. Gentlemen, thank you so much for your patience. And also, thank you for your cooperation. You all have been very cooperative. You all have tried to be consistent with your obligations that enable us to do our job as well, and we thank you for that.

David Smith, we are going to have you go first. I'll just go down and you'll need to bring that mic closer to you. Plese bring it down a little further. And the lights on means your mic is on. Do you want to just tap it just to see? Thank you.

want to just tap it just to see? Thank you.

So what we'll do is, you have the floor for 5 minutes, and then we roll it over for another 5 minutes. After 10, I'd ask you to stop.

Mr. Smith. Thank you Mr. Chairman.

Mr. Shays. Thank you.

## STATEMENTS OF DAVID L. SMITH, DIRECTOR, CORPORATE BANKING OPERATIONS, BNP PARIBAS; PETER W.G. BOKS, MANAGING DIRECTOR, SAYBOLT INTERNATIONAL B.V; AND ANDRE E. PRUNIAUX, SENIOR VICE PRESIDENT, AFRICA AND MIDDLE EAST, COTECNA INSPECTION S.A

Mr. SMITH. Chairman Shays, members of the committee, I request that my written statement be submitted for the record.

Mr. Shays. And it will, without objection.

Mr. SMITH. Thank you. Before responding to any particular inquiries members of this committee may have, I would like to make a brief statement which summarizes the key points of my written statement to the committee.

My name is David Smith. Since September 2001, I have been employed by BNP Paribas, North America, where I serve as director of Corporate Banking Operations. In that capacity I have been responsible for overseeing the Bank's letter-of-credit processing operations, including those operations as they pertain to the Bank's agreement to provide banking services to the United Nations for the U.N. Oil-for-Food Program.

First, as to the selection of BNP, according to a report of the General Secretary dated November 25, 1996, the selection process for the holder of the U.N. Iraq account began with the preparation of, "a working list of major banks in all parts of the world with the necessary credit quality ratings, strong capital positions, and capa-

bilities to provide the services necessary for the account."

The report indicates that a short list of those banks, including BNP, were asked in June 1996 to submit written proposals to the U.N. for the provision of the required banking services. The U.N.'s request for proposals sought certain pricing information from each bank and inquired into each bank's capabilities to handle the business of the program's size.

The Bank understands that four major international banks submitted formal offers in response to the RFP. The General Secretary reported in 1996 that, "After careful consideration of the proposals received," BNP was selected on June 18, 1996 to be the holder of the U.N. Iraq account. Accordingly, a banking services agreement was executed by BNP and the United Nations after several weeks

of negotiations.

The Bank believes that several factors resulted in BNP's selection by the United Nations, including the following: one, its large international presence; two, its significant position in the commodities trade finance business; three, its high credit rating; four, its strong capital position; five, its willingness to assume the credit risk of other banks by confirming the oil letters of credit to be issued for the benefit of the program; six, its competitive pricing; and seven, its substantial trade finance support operation, located in New York City, where the U.N. is headquartered.

Second, as to the services the Bank has provided to the United Nations, the role of the Bank under the banking services agreement has consisted of delivering nondiscretionary banking services to its customer, the United Nations. These services have related to both the oil and the humanitarian sides of the program. Generally on the oil side of the program, those services have involved the confirmation of letters of credit issued on behalf of U.N.-approved purchases of Iraq oil. Those letters of credit were issued by various

banks for the benefit of the U.N. Iraq account.

When a bank confirms a letter of credit, it takes upon itself the obligation to pay the beneficiary, here the U.N. The Bank's confirmation of the oil letters of credit was done at the request of the U.N. It was performed in accordance with standard banking practices, letters of credit practices, with several additional controls imposed by the United Nations, as described in my written statement.

On the humanitarian side of the program, the Bank's services have involved the issuance of letters of credit at the direction of the U.N. for the benefit of U.N.-approved suppliers of goods to Iraq. Those letters of credit provided the necessary assurance to suppliers that they would receive payment for their goods once they had been delivered to Iraq in accordance with their contractual obligations.

The processing by the Bank was performed in accordance with standard letter-of-credit practice, with a number of additional controls, again as detailed in my written statement.

Significantly, the Bank has had no discretion over how money has been spent or invested under the program. The Bank did not select the buyers of the oil, sellers of the goods, or the goods to be

supplied.

Third, as to the Bank's legal and ethical obligations, the Banks provision of services pursuant to the banking services agreement was licensed by the U.S. Department of Treasury, Office of Foreign Asset Control [OFAC]. Moreover, all services provided by the Bank under the agreement were performed within a framework designed by the U.N. under the agreement, the United Nations, a universally known international organization of sovereign states, was the Bank's sole customer.

As I have stated, all aspects of the transaction under the program, including the purchases of oil and the supplies of goods, as well as the nature, amount, and pricing of goods involved, were approved by the U.N. All letters of credit confirmed or issued by the Bank under the banking services agreement were governed by the Uniform Customs and Practices for Documentary Credits, a set of detailed procedures for letters of credit published by the International Chamber of Commerce.

Program transactions were also subject to U.S. regulatory requirements, including in particular the screening of any program participants against lists of specially designated nationals published by OFAC. There also were, as described in my written statement, a number of additional controls imposed by the U.N. that were unique to the program.

Notably, an article in Saturday's New York Times purports to quote from a briefing paper provided to members of this committee that suggests that the Bank was remiss because it "never initiated

a review of the program or the reputation of those involved."

Any such suggestion misunderstands the nature of the Bank's role under its banking services agreement with the U.N. Under that agreement, the U.N. was the Bank's sole customer. The Bank reasonably relied upon the sanctions committee of the Security Council for its review and approval of both purchases of oil and the suppliers of goods. The Bank provided specified nondiscretionary services to the U.N. under the banking services agreement, and it was not the Bank's place to substitute its judgment for that of the sanctions committee regarding who would be approved by the U.N. to participate in the program.

Fourth, as to the unique challenges of the program, from a banking perspective the program has represented an enormously challenging and unique undertaking involving the process of over 23,000 letters of credit and the disbursement of billions of dollars for investment purposes at the direction of the U.N. Those investments have generated in excess of \$2.7 billion for the benefit of the

program.

With the exception of a temporary backlog in processing of humanitarian letters of credit in mid-2000, the Bank believes that it has done a good job in handling the highly demanding banking assignment under a program of unprecedented scope and magnitude. Finally, as to the design of the program, the Bank believes that

the use of letters of credit provided the correct banking framework for the program. Although outside the scope of our responsibilities it appears, with the benefit of hindsight, that the program might have been better structured in other respects to minimize the risk

of abuse. In this regard, a well-managed competitive bidding process, both for the purchase of oil and for the sale of goods, might have been substituted for what was essentially a sole-source procurement process. This would have eliminated the Government of Iraq in the selection of prospective counterparties for U.N. approved Oil-for-Food transactions, and would have provided greater proved Oil-for-Food transactions, and would have provided greater transparency regarding program participants. It might also have reduced the possibility that the program might not always have received the most favorable pricing.

On behalf of BNP Paribas, I thank the committee for this opportunity to provide this statement. I would be happy to respond to any questions members of the committee may have.

Mr. Shays. Thank you, Mr. Smith.

[The prepared statement of Mr. Smith follows:]

### BEFORE THE SUBCOMMITTEE ON NATIONAL SECURITY, EMERGING THREATS, AND INTERNATIONAL RELATIONS OF THE HOUSE COMMITTEE ON GOVERNMENTAL REFORM

### Statement by David Smith on Behalf of BNP Paribas Regarding The Bank's Role In The UN Oil-For-Food Program

My name is David Smith. Since September 2001, I have been employed by BNP Paribas North America, where I serve as the Director of Corporate Banking Operations. In that capacity, I have been responsible for overseeing the Bank's letter of credit processing operations, including those operations as they pertain to banking services provided by the Bank to the United Nations in respect of the UN's Oil-For-Food Program. This statement responds to questions posed by Chairman Shays in his letter to the Bank dated September 23, 2004.

### 1. How Was BNP Selected by the United Nations?

The following is my understanding of how BNP was selected by the UN to provide banking services for the Oil-For-Food Program. You may recall that Resolution 986 of the UN Security Council gave the Secretary-General of the UN the responsibility of establishing a bank account for the deposit of funds generated by the sale of oil by Iraq. Notably, all of those oil sales were subject to the prior approval of the so-called "661" or "Sanctions" Committee of the Security Council. The account also was to be used for the payment for the purchase of goods by Iraq, which likewise

were subject to the prior review and approval of the Sanctions Committee. Pursuant to the Resolution, the Secretary-General was to select an international bank and negotiate the terms of the account pursuant to the Memorandum of Understanding between the UN and the Government of Iraq.

According to a report of the Secretary-General dated November 25, 1996, the selection process for the holder of the UN Iraq account began with the preparation of a "working list of major banks in all parts of the world with the necessary credit quality ratings, strong capital positions, and the capabilities to provide the services necessary for the account." The Report indicates that a short-list of those banks, including BNP, were asked in June 1996 to submit written proposals to the UN for the provision of the required banking services. The UN's Request For Proposals ("RFP") sought certain pricing information from each bank, and inquired into each bank's capabilities to handle business of the Program's size. The Bank understands that four major international banks submitted formal offers in response to the RFP.

The Secretary-General reported in 1996 that, "after careful consideration of the proposals received," BNP was selected on June 18, 1996 to be the holder of the UN Iraq Account. The Bank believes that several factors resulted in BNP's selection by the UN, including the following: (i) its large international presence; (ii) its significant position in the commodities trade finance business; (iii) its high credit

rating; (iv) its strong capital position; (v) its willingness to assume the credit risk of other banks by confirming the oil letters of credit to be issued for the benefit of the Program; (vi) its competitive pricing; and (vii) its substantial trade finance support operation located in New York City, where the UN is headquartered. Accordingly, after several weeks of negotiations, an agreement to provide banking services for the Program was signed by the UN and BNP on September 12, 1996.

### 2. What Has Been the Role of the Bank?

The role of the Bank under the Banking Services Agreement has consisted of delivering non-discretionary banking services to its customer, the UN. Those services have related both to the oil and humanitarian sides of the Program.

Generally, on the oil side of the Program, those services have involved the confirmation of letters of credit issued by various banks on behalf of UNapproved purchasers of Iraqi oil. When a bank confirms a letter of credit, it takes upon itself the obligation to pay the beneficiary, here the UN Iraq Account. The Bank's confirmation of the oil letters of credit thus allowed the UN to rely solely upon the credit quality of the Bank for payment.

The oil letters of credit under the Program conformed with standard practices governing letters of credit, with the following additional controls imposed by the UN: (i) each contract between the Iraqi State Oil Marketing Organization, or "SOMO," and a buyer had to be approved by the UN; (ii) the price of the oil was

established by a process approved by the UN; and (iii) the loading of the oil was supervised by an independent company appointed by the UN to ensure that the correct volume and grade of oil was loaded. At the payment stage, all shipping documents were presented to the Bank by the UN.

On the humanitarian side of the Program, the Bank's services to the UN under the Banking Services Agreement have involved the issuance of letters of credit at the direction of the UN for the benefit of UN-approved suppliers of goods to Iraq. Those letters of credit provide the necessary assurance to suppliers that they will receive payment for their goods once they have been delivered to Iraq in accordance with their contractual obligations.

As previously noted, the contract approval process took place under the supervision of the UN Sanctions Committee, on which all members of the Security Council were represented. A request by the Central Bank of Iraq for the issuance of a letter of credit could be processed by the Bank only after the UN had given its approval. Generally, the goods then would be shipped by the exporter. Once the goods arrived in Iraq, they were inspected by the independent inspectors appointed by the UN. The payment for these goods then could be processed by the Bank if the following three conditions were satisfied: (i) the shipping documents provided to the Bank under the letter of credit complied with the requirements of the letter of credit; (ii) the UN had produced a certificate confirming the arrival of the

goods in proper order, based upon the independent inspector's report; and (iii) the UN had approved the specific payment after notification from the Bank that proper documentation had been presented to it. The second and third of these controls went beyond standard practices for the handling of letters of credit, and were additional safeguards developed and implemented by the UN for the protection of the Program.

Significantly, the Bank has had no discretion over how money has been spent or invested under the Program. The Bank has had no involvement in arranging the relationship between the oil buyers and SOMO. Similarly, the Bank did not approve the supplies being purchased, the list of suppliers, or the supply contracts themselves.

It is important to point out that the Bank is not the only institution that has held funds for the Program. Other banks have been involved in holding such funds from the outset of the Program. Although 100% of the proceeds from the sale of oil initially were credited to the UN Iraq Account at the Bank, only 59% of those proceeds remained in that Account. The balance of those proceeds immediately were transferred to a UN account at JP Morgan Chase pursuant to instructions from the UN: 13% of the funds to be used by the UN to provide relief to the Kurdish provinces in Northern Iraq; 25% to be used by the UN to provide compensation to victims of the first Gulf War; and 3% to be used by the UN for weapons inspection and to defray the costs of administering the Program.

In practice, the UN has directed the Bank's investment of every penny in the 59% account. On a daily basis, the UN has compared the Bank's rates for these investments against those of other banks, and has directed the investment of all funds, including those that are required to be held in cash-equivalent investments at the Bank in order to collateralize letters of credit that have been issued to suppliers of UN-approved goods. Although the Bank is not responsible under the Banking Services Agreement for the monitoring or auditing of funds transferred from the 59% account at UN direction to other institutions for investment purposes, the Bank understands that all interest earned on funds in the 59% account has been reinvested and has been available for the purchase of additional UN-approved supplies.

In short, BNP Paribas' role under the Banking Services Agreement has been to confirm oil letters of credit, ensuring that the UN Iraq Account receives all of the proceeds from the sale of Iraq oil; to credit the UN Iraq account with the proceeds from UN-approved oil sales; to transfer certain of those funds pursuant to UN instructions; to invest the balance pursuant to UN directives; and to issue, process and pay humanitarian letters of credit at the direction of the UN, all in accordance with traditional trade finance practice and the specified protections of the Program.

### 3. What Legal, Ethical and Due Diligence Procedures Was the Bank Obligated to Follow?

As a preliminary observation, the services provided to the UN by the Bank under the Banking Services Agreement were licensed by the United States

Department of Treasury Office for Foreign Asset Control, or "OFAC." Moreover, all services provided by the Bank under the Program were performed within a framework designed by the UN and formalized via the Banking Services Agreement.

Under that Agreement, the UN – a universally known international organization of sovereign States – was the Bank's sole customer. All aspects of the transactions under the Program, including the purchasers of oil and the suppliers of goods, as well as the nature, amount and pricing of the goods involved, were subject to prior review and approval by the Sanctions Committee of the UN Security Council.

All letters of credit confirmed or issued by the Bank under the Program complied with the Uniform Customs and Practices for Documentary Credits, a set of detailed procedures for letters of credit published by the International Chamber of Commerce. Program transactions also were subject to U.S. regulatory requirements, including in particular the screening of any Program participant against lists of specially designated nationals published by OFAC. There also were, as described above, a number of additional controls unique to the Program that were designed to minimize potential abuse.

### 4. What Particular Challenges Has the Bank Encountered, and How Have Those Challenges Been Met?

From a banking perspective, the Program has represented an enormously challenging and unique undertaking. The Bank is not aware of any program of comparable scope or magnitude.

Since the Program's inception, the Bank has processed over 23,000 letters of credit. Many of the letters of credit for the sale of UN-approved goods, which in the aggregate have totaled approximately \$40 billion, have been subject to multiple amendments, and have involved the examination by the Bank of massive amounts of documentation to determine compliance with the terms of the letters of credit. The files with respect to these transactions comprise an estimated five million pages of documents.

The Bank also has handled the disbursement of billions of dollars for investment purposes at the direction of the UN. To date, the interest earnings on the investment of funds deposited into the UN Iraq Account have been in excess of \$2.7 billion.

The Bank believes that it has performed its obligations under the Banking Services Agreement in a professional and ethical manner. However, there have been occasions when the Program suffered backlogs in the processing of letters of credit, which created some dissatisfaction on the part of our customer, the UN, as well as on the part of various Program participants and the Iraqi Government.

Specifically, there was a sudden, three-fold increase in the volume and complexity of transactions for the supply of UN-approved goods under the Program around the time of the merger of BNP and Paribas in mid-2000, for which the Bank was not fully prepared from a staffing standpoint. Following the merger, however, the Bank

substantially reorganized and increased its staffing of the Program, from 25 to 90 employees during one 12 month period, and significantly enhanced its electronic systems for the processing of letters of credit under the Program. As a result of the Bank's commitment of resources, the processing of letters of credit from the height of the Program through its current wind-down phase has been greatly enhanced.

### 5. How Might the Oil-For-Food Program Been Better Designed?

The Bank believes that the use of letters of credit provided the correct banking framework for the Program. Although outside the scope of our responsibilities, it appears with the benefit of hindsight that the Program could have been better structured in other respects to minimize the risk of abuse. Thus, a well-managed competitive bidding process, both for the purchase of oil and the sale of goods, might have been substituted for what was essentially a sole source procurement process. This would have eliminated the role of the Government of Iraq in the identification of prospective counterparties for UN-approved oil and goods transactions. It also might have reduced the possibility that the Program might not always have received the most favorable pricing.

### Subcommittee on National Security, Emerging Threats, and International Relations, Committee on Government Reform

Tuesday, October 5, 2004, 11:00 a.m.

### **BNP Paribas Documents**

### AGREEMENT FOR BANKING SERVICES PUBSUANT TO SECURITY COUNCIL RESOLUTION 966 (1995)

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AGREEMENT, dated as of 12. Sapiesaid, 1996 between THE UNITED NATIONS, an international intergovernmental organization having in Headquarters at New York, Now York 10011 (Intertainter referred to as the 'United Nations') and BAINQUE NATIONALE DE PARIS S.A. a French banking corporation licensed by the State of New York, laving offices at 499 Park Avenue, New York, New York 10022 (Bentianflar referred to as the 'Bank'). The United Nations and the Bank are hercharter collectively referred as the 'Parists' and individually as a 'Parry'.

WREZELS, the Security Council of the United Nations, in its resolution 986 (1995) of 14 April 1995 Chercitacher referred to as "SCR 986"), authorized State, more/theracing previous resolutions of the Security Council, to permit the import of petroleum and petroleum products originating in Iraq, including francial and other examilal resourcing directly relating thereto, subject to the provisions of SCR 986;

WHEREAS, in SCR 986, the Security Council requested the Secretary-General to establish an account for the purposes of SCR 986, and further required that payments of the full amount of each purchase of Inqi percoloum and petroleum products be made directly by the purchaser in the State conterned into such account.

WEERRAS, pursuan to SCR 996, proceed of the sale of Indi percoleum and petroleum products shall be used to meet the humanisaries needs of the Indi population and for other purposes as specified in SCR 986 and shall not be directed from the purposes hid down in that resolution;

WEEREAS, a Memorandum of Understanding on the implementation of SCR 966
\*\*\*\* scattered into by the Secretarist of the United Nations and the Government of Iraq on
20 May 1996 (Derivative referred to as the "Memorandum of Understanding");

responsibilities under Article 12 of SCR 986 (nereinafter referred to as the "661 Committee WHEREAS, the Security Council Committee exablished by resolution 661 (1990) concerning the situation between Imq and Kuwali (hereinafter referred to as the "661 Committee") has issued procedures to be employed by it in the discharge of its Procedures");

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United Nations wishes to enter into arrangements with the Bank for the establishment of the account, and for the performance of various banking services described in this Agreement (hereinster collectively referred to as the "Services"), such Services to be performed in WHEREAS, pursuant to SCR 986 and the Memorandum of Understanding, the conformity with the provisions of this Agreement,

WHEREAS, the Bank is in the business of performing, and has offered to perform.

such Services;

funds and assets therein, and all transactions, data and information relating thereto, be secure from misuse and from unauthorized section, use, tempering or intrusion and that the Services WHEREAS, it is absolutely essential to the United Nations that the account and the rendered in connection with each account, funds, assets and transactions be reliable and

WHEREAS, the account shall rajoy the privileges and immunities of the United

Nations;

NOW, THEREPORE, the United Nations and the Bank haraby minually agree as

## PART 1: TERMS OF GENERAL APPLICATION

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govern this Agreement in its emirray. In the overs and to the entent of any couglist between the terms and conditions set forth in this Part I and any other provisions of this Agreement, 1.1 Applicability: The terms and conditions set forth in this Part 1 shall apply to and the terms and conditions of this Part 1 shall prevail.

incorporated herein by reference, constitutes the entire Agreement (termin referred to as the 1.2 Agreement Documents: This document, including all of its Amerca, which are "Agreement" or "this Agreement") between the United Nations and the Bank for the provision of the Services. The Americs to this Agreement, which constitute an integral part of this Agreement, are the following:

SCR 986 Amex 1:

Memorandum of Understanding Armex 2:

661 Committee Procedures Annex 3:

Schedule of Authorized United Nations Officials Schedule of Feer Appex 4:

Ames 5:

Schedule of Interest Paid on Daily Balances Amex 6:

BNP Teletransfer Product and Maintenance Provisions Annex 7:

BNP Telereporting Product and Maintenance Provisions. Annex 8:

The procedures and requirements set farth in SCR 986, the Memorandum of Understanding and the 661 Committee Procedures cocatinue assertial and fundamental terms and conditions of this Agreement.

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## 1.3 United Nations Iran Account and Services.

- 1.3.1 The Bank shall open the account provided for in SCR, 986 on behalf of the United Nations for the modify of funds and for the making of payments pursuant to SCR, 986.
- 1.3.2 The account, including any sub-accounts required for purposes of investing funds in the account pursuant to Part 4 of this Agreement, shall be designated the 'Unimed Nations Enq Account' and shall combin cruly funds paid therein pursuant to SCR 5996, investments pursuant to Part 4 of this Agreements and interest income carried by such funds. Such funds and investments shall be regarded as specifically-identified assers held by the United Nations pursuant to SCR 596.
- 1.3.3 The Bank shall administer the United Nations Ing Account and perform the Services in full conformity with the terms and conditions of this Agreemen.
- 1.3.4 The United Nations Inq Account shall be savised as provided in paragraph 7 of SCR 996 and paragraph 14 of the Memorandum of Understanding. The Bank shall co-operate fully in the performance of such savins, and provide all recessary documentation in the United Nations and its nations.
- 1.3.5 The Bank shall have no power or authority to pay, stratfer, sasign, laypothecase, negatists, pledge or otherwise dispose of or deliver say fands or other sases from time to time held by the Bank pursuant to this Agreement, in the United Nations Inq Account or otherwise, to say person or entity, whether Government or otherwise, except in strict

accordance with the express terms and conditions of this Agreement. The Bank shall have no rights in or to the funds or sases held by it pursuant to this Agreement, whether in the United Nations ling Account or otherwise, except as expressly provided in this Agreement.

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- 1.3.6 The process of the sale of long's prevolum and partitions products shall not be diverted from the purposes had down in SCR 986.
- 1.3.7 The United Nations represents and warrants that, as specified in, and in acconduces with, SCR 996, the Memorandum of Understanding and the 661 Committee Procedures: (1) it has the right to and control of funds in the United Nations Iraq Account, and (1) it has the authority to give binding instructions to the Bank with respect to said funds, the Services, the United Nations Iraq Account and the Lemms of Credit provided for in this Agraement.
- 1.4 Transactions and defluction. Transactions with respect to, and deductions from, the United Nations faq. Account shall be only those authorized by the Sacurity Council is and pursuant to SCR 986, by and pursuant to the Memocrackum of Undergranding and by and pursuant to this Agricanests. All such transactions and deductions shall be made solely from funds in the United Nations fined Account pursuant to SCR 986 and the Memocrackum of Underganding, and in accordance with the provisions of this Agreement.
- 4.5 Authorized United Nations Officials. Amen 4 sen from the names and respective areas of authority of those individuals authorized to act on behalf of the United Nations pursuant to this Agreement. The United Nations along sprovide the Bank with specimen signatures for all such individuals. Any such action half be effective only if in variang (except as otherwise provided in provisions of this Agreement relating to electronic functionalisms) and algored by the requisite number of the aforementationed authorized United Nations Officials as apposited in Annex 4, or any amendment theroof as barelandar provided, having the requisite authority. The list of Authorized United Nations Officials may be ancoded from time to time by means of a written document aigned and dated by an

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with this Article 1.5. The authority of my Authorized United Nations Official shall be only Such amendment shall be effective upon receipt of such document by the Bank. As used in Authorized United Nations Official designated in Annex 4 as baying the authority to do so. may be set furth therein. . The Bank shall comply with the security procedures set forth in Official designated in Annex 4 of this Agreement or any amendment thereof in accordance as set forth in the list of Authorized United Nations Officials or an uncentiment thereof as hereinbefore provided, and subject to any limitations and restrictions on such sufficienty as this Agreement, the term "Authorized United Nations Official" means a United Nations this Agreement.

- Nations Iraq Account, and daily reports of outmanding Letters of Credit issued, confirmed or without limitation, daily accountings of debits and credits to, and belance of, the United statements of account with respect to balances in the United Nations Iraq Account and ountanding Letters of Credit as the United Nations may reasonably request, including advised in accordance with this Agreement. Full transaction details shall be included 1.6 Reports and statements of account. The Bank shall provide such reports and regarding any and all debin and credits mentioned in the daily transaction reports.
- subcontractors shall be considered in any respect as being the employees or agents of the 1.7. Legal Status. The Bank shall be considered as having the legal sanus of an independent contractor vis-4-vis the United Nations. Neither Party's personnel or other Party.
- shall neither seek nor accept instructions from any authority expersal in the United Nations in understood and agraed that, except as otherwise provided in this Agraement, where increasing to earry out the operations involved in the performance of the Services, the Busk may from 1.8 Source of Instructions. Except as otherwise provided in this Agreement, the Bank time to time act in accordance with procedures or accept information from the following connection with the performance of the Services. Notwithstanding the foregoing, it is

other participants in payment systems used by the Bank in providing the Services, and other provide the Services. The Bank shall refrain from any action which is inconsinues with the representing persons or entries in Iraq: governmental regulatory authorities and examiners. terms and conditions of this Agreement, whether express or implied, or which it knows or touries, provided that they are not in or acting on behalf of the Government of Iraq, or financial instinutions and third parties supplying information necessary for the Bank m has reason to know may adversely affect the United Nations, and shall fulfill its commitments with the fullest regard for its undertakings in this Agreement.

- professional and technical compenence of its employees and will select, for work under this Agreement, reliable individuals who will perform effectively in the implementation of this 1.9 Bank's Responsibility for Employees. The Bank shall be responsible for the Agreement, and conform to a high standard of moral and ethical conduct.
- 1.10 Assistment. Neither Party shall assign, transfer, piedge or make other disposition of this Agromment or any part thereof or of any of such Party's rights, claims or obligations under this Agreement.
- its approval shall inchude, <u>inter alia,</u> that the engagement of a particular aub-contractor would be inconsistent with the purposes of SCR 986. The approval of the United Nations of a subunreasonably withheld or delayed. Reasonable grounds for the United Nations to withhold 1.11 Sub-Contracting. In the event the Bank requires the services of sub-contractors to connuctor shall not relieve the Bank of any of in obligations under this Agreement. The arms of any sub-contract shall be subject to and in conformity with the provisions of this provide any services relating to this Agreement, the Bank shall ohnin the prior written approval of the United Nations for all sub-contractors, which approval shall not be

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from this Agreement or the award thereof. The Bank agrees that breach of this provision is 1.12 Officials Not To Benefit. The Bank warmens that no official of the United Nations has received or will be offered by the Bank any direct or indirect personal benefit arising a breach of an essential term of this Agreement.

## 1.13 Indemnification: liability for loss of funds, ex-

- 1.13.1 The Bank shall indemnify, hold and save harmless and defend, at its own expense, faiture to perform this Agreement or any negligence or wilful misconduct of the Bank or its the United Nations, its officials, agents, servents and employees, from and against, and pay or reimburse each of the fourgoing for, all saits, claims, proceedings, demands and liability employees, agents, servants or sub-contractors in the performance of this Agreement. This of any menus or kind, including their costs and expenses, arising out of any breach of or provision shall also extend, integalis, to claims and liability in the manus of worker's compensation and products liability.
- .13.2 In addition to and without limiting the foregoing, the Bank shall be liable for loss this Agreement or any negligence or wifth misconduct of the Bank, its amployees, agans, performance of this Agreement, howncever caused by any breach of or failure to perform servant or sub-contractors, including but not limited to theft, misappropriation, fraud or of or damage to funds or other property or asserts held by it in connection with the
- servants and employees, arising out of any breach of or failure to perform this Agraemens or any negligence or wilthi misconduct of the United Nations or in employees, agents, servants or sub-commetors in the performance of this Agreement, the United Nations shall mimburse ..13.3 In the event of any claim by a third pury sgainst the Bank, its officials, agenta, reasonable costs in defending such claim. Such reimburgement shall include reasonable the Bank, exclusively from funds in the United Nations Ing Account, for the Bank's

Nations for engaging the attorneys in question, such consent not to be unreasonably withheld. The United Nations shall have the right, at its sole option, to be reparented in any action or proceeding by independent coursel of the United Nations' own choice, provided that the efformerys faces provided that the Bank shall have obtained the prior consent of the United exercise of such right shall not affect the obligations of the Bank pursuent to this Article 1.13. The reasonable cost of such representation of the United Nations shall be covered

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1:13.4 The provisions of this Article 1.13 shall not lapse upon expiration or termination of this Agreement.

from the United Nations Iraq Account.

## 1.14 Intellectual Property Indemosfication.

of whatever matter and kind, whether or not resulting from third pury claims, including their 1.14.1 The Bank shall indemnify, hold and save harmless and defend, at its own expense, property right, or misuse of any proprietary or trads server information. Without limiting the the United Nations, its officials, agents, servants and employees from and against, and pay costs and expenses, with respect to, based on, ariting from or relating so allegations that the supplied by the Bank under this Agreement, separately or in combination with each other, in generality of any of the foregoing, the Bank agrees to pay all linguish costs, amorneys fees, estionest payments and damages awarded or resulting from such suits, claims, proceedings, or reimbuse each of the foregoing for, all auts, claims, proceedings, demands and liability whole or in part, constitutes an infringement of any patent, copyright or other impliesmal United Nations' use of any equipment, services, documentation or software provided or Emands and liability.

Bank's expense, in the defense or settlement thereof subject to the privileges and immunities claim, proceeding, demand or liability and will reasonably cooperate with the Bank, at the ..14.2 The United Nations will promptly advise the Bank in writing of any such suit,

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identify, segregate and hold funds as cash collateral in the United Nations Iraq Account as provided in Article 2.3.4, 2.3.7 and 2.3.8.

- 1.16.3 (a) The Bank shall subt all reasonable sups to prevent the placement of any lien, assertment or other exemulators on the United Nations Inq. Account or the finds thereto, and no obstitute the himselfuse removal of any such lien, areahment or accomplexence that have here placed thereto. The United Nations shall assist in such ways as it considers appropriate in preventing the placement or obtaining the removal of any such lien, attachment or other encumbrance, including the privileges and immunities of the United Nations Inq. Account.
- misconduct of the Basis, is employed, agant, servant or and-commenter, or any claim or demand unasized to this Agreement or the performance thereof, the Bank shall be entitled to reimburances for its reasonable costs in purventing or obtaining reimbursement for its payment of an LOC issued by it pursuant to Article 2.3 of this Agreement, the Bank shall be paid inserest compensation, for the period amount of interest that the United Nations is entitled to earn, pursuant to Annex 6 reimbursement shall be payable by the United Nations exchusively from funds in provided that the Bank aball have obtained the prior consent of the United Nation lien or attachment, provided that such interest compensation shall not exceed the of time that the Bank has been so prevented from being reimbursed due to such demand arising from any act, emission or circumstance that would constitute a (b) Unless the Ben, attachment or other encumbrance relates to any claim or the United Nations Ing Account and shall include reasonable attorneys fees, attachment on the United Nations Img Account, the Benk is prevented from breach of or fullure to perform this Agreenant or any cogligence or withi withheld. In addition, in the ovent that, due to the existence of such lien or for engaging the attorneys in question, such consent not to be unreasonably obtaining the removal of such tien, amothment or encumbrance. Such

bereto, on finds in the United Nations freq Account in the amount that the Bank has been so prevented from being reimbursed.

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## 7 Use of Name. Emblem or Official Seal of the United Nations.

The Bank shall not adverte or, except as provided in Article 1.18 banof, otherwise make public the fact that it is a contractor with the United Nations, nor shall the Bank, in any manner whatoever, use the name, emblem or official seal of the United Nations, or any abbreviation of the name of the United Nations in correction with its business or otherwise.

## 1.18 Confidentiality and Nondisclosure.

- 1.18.1 Except as otherwise provided in this Article 1.18 or elsewhere in this Agmement, the Bank thall hold and know in confidence all messages and other data and information occasived by it under this Agmement, or relating to any transaction involving the Bank or the United Nations Ling Account or to fund or other search held by the Bank pursuant to this Agmement. Or relating to any of the Services parformed by the Bank under this Agmement. Such messages, data and information will remain the property of the United Nations and, upon explication or emmination of this Agmement, will upon request to returned to the United Plations by the Bank, however, the Bank may retain copies themosf for its own records. The show-emericand messages, data and information will not be used by the Bank for any purpose other than that of medicing the Services under this Agmement, nor will it on any purpose other than that of medicing the Services under this Agmement, nor will it on any purt thereof be disclosed to thind parties, by the Bank, its employees, servines, against on any part theoretic except as otherwise provided in this Arriste I.18.
- 1.18.2 The Bank may not communicate at my time to any other person, earliey, Government or authority external to the United Nations my information relating to this Agreement or the performance thereof income to it by reason of its association with the

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Notwithstunding the foregoing, where and to the extent necessary to curry out the operations involved in the performance of the Services, the Bank may from time to time communicate Bank in providing the Services, and other financial institutions and third parties as necessary for the Bank to provide the Services. In addition, the Bank may respond to impairies regarding its role in, and published procedures for, implementing this Agreement from its customers or other parties interested in buying oil or selling humanistries supplies under United Nations; nor shall the Bank at any time use such information to private advantage. United Nations which has not been made public enceys with the prior amborization of the surfacities (subject to Arricle 1.18.4), other participants in payment systems used by the such information to the following emities or persons: relevant governmental regulatory SCR 986, the Memorandum of Understanding and the 661 Committee Procedures.

1.18.3 The Bank may disclose confidential information referred to in Articles 1.18.1 and 1.18.2 in the following additional craes:

representatives as used to know such information in commercion with the Bank's (a) such information may he disclosed to such of the Bank's agents and performance under this Agreement;

required by mandatory provisions of applicable law in a country having jurisdiction over the Bank, provided that the Bank shall give the United Nations prior advance notice of such disclosure (except where the giving of such prior notice is legally provisions of Article 1.18.4, such information may be disclosed to the extent (b) subject to the privileges and immunities of the United Nations and the prohibited); (c) subject to the privileges and immurities of the United Nations and the provisions of Article 1.18.4, and provided that the United Nations shall have given its consent, which shall not be unreasonably withheld, such information may be

judgement to protect the Bank's interests in connection with any claim or dispute; disclosed to any purson and in any proceeding necessary in the Bank's reasonable

becomes publicly available through no fluit of the Bank, or (ii) is disclosed to the Bank free of any obligation of confidentiality by a third party who has the right to (d) such information may be disclosed to the exters that such information (l) disclose the same; or

(c) ach information may be disclosed at any time after five (5) years following the expiration or termination of this Agreement.

1.18.4 If any confidential information is sought by a Court or governmental agency having jurisdiction over the Bank to require such information, the Bank shall: (a) prior to disclosing such information, promptly notify the United Nations of such fact; provided, however, that the Bank shall not be obligated to motify the United Nations in the case of a subposes served on the Bank, or where the Bank is disclosing that the information has been amply, or in the case of regular periodic inspections by bank examiners from government regulatory authorities having otherwise prohibited by applicable law to which the Bank is subject, from jurisdiction over the Bank;

well us, in the United States, the International Organizations Immunities Act of the United States, Public Law 79-291, 29 December 1945; and uncher the Convention on the Privileges and Immediates of the United Nations, as (b) inform the Court or regulatory agency that such information is privileged

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(c) in the event that such Court or regulatory agency still seeks such information, request that the United Nations he given the opportunity to present its position on the question to such Court or regulatory agency.

1.18.5 The obligations set forth in this Article 1.18 shall not lapse upon expiration or permination of this Agreement.

## 1.19 Force Maleure: Other Changes in Conditions.

United Nations of such occurrence if the Bank is thatby rendered unable, wholly or in part, to perform its obligations and meet its responsibilities under this Agreement. The Bank shall coestinuing force majoure, the Bank shall give notice and full particulars in writing to the also notify the United Nations of any other changes in conditions or the excurrence of any discretion, it considers to be appropriate or necessary in the circumstances, including the graming to the Bank of a masonable extension of time in which to perform its obligations change which caused such farce maleury or interfered or threatened to inserfere with the midgats or remedy as soon as possible, the consequences of such event, occurrence or event which interfaces or threatens to interfere with its performance of this Agreement. Bank's performance of its obligations under this Agmentatt. On receipt of the natice Norwithstanding the foregoing, the Bank shall use its best efforts to avoid, minimize, required under this Article, the United Nations shall take such action as, in its sole 1.19.1 In the event of and as soon as possible after the occurrence of any cause inder this Agreement. 1.19.2 If the Bank is rendered permanently unable, wholly, or in part, by reason of fance United Nations that I have the right to suspend or azminate this Agreement upon not less than majours to perform its obligations and meet its responsibilities under this Agreement, the seven (7) days prior written notice to the Bank.

declared or not), invasion, revolution, insurrection or other acts of a similar nature or force; provided that such event renders the Bank wholly, or in part, unable to provide to in 1.19.3 Force majoure as used in this Agreement means acts of God, war (whether contomers in general services of the nature of the Services to be provided under this Agreement and the Bank complies with the obligations set forth in Article 1.19.1.

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charges set forth in Annex 5. The fixes and charges set forth in Annex 5 as payable from the 1,20.1 In consideration of the complete and satisfactory performance by the Benk of the United Nations fraq Account are the only fees and charges payable by the United Nations Services and other obligations under this Agreement, the Bank shall be paid the fees and inder this Agreement.

for fors, charges and all other payments due to the Bank under this Agreement to the United 1.20.2 The Bank shall submit invoices with supporting documentation on a monthly basis However, invoices and supporting documentation for Lener of Credit fees shall be submits Nations Treatury, Amendon: Deputy Treasurer, Room S-1770, New York, N.Y. 10017. at issuance of the Letter of Credit or as incurred. Invoices thall be paid as follows:

Such payment shall be made by means of an instruction by the United Nations to the Bank to debit the United Nations Iraq Acrount for the amount of the payment to be (a) Payment shall be made within thirty (30) days of receipt of the invoice by the made sgainst the invoice. With nespect to disputes treparding only a pontion of the invoice, the United Nations shall pay the Bank the amount of the undisputed pontion United Nations, unless the United Nations disputes the invoice or a purifica thereof. within thirty (30) days. If a dispute regarding an invoice or a portion thereof has peen resolved in favour of the Bank, the United Nations shall pay the Bank

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parties thereof. Such potification shall include a brief explanation of the reasons why Article 1.20.2, the United Nations shall notify the Bank within thirty (30) days of its (b) Without prejudice to the United Nations' rights under paragraph (c) of this receipt of an invoice if the United Nations intends to dispute the invoice or any the United Nations disputes the invoice.

- audit by the United Nations' auditors or its authorized agents. The Bank shall refund except of a claim by the United Nations to such refined, provided that the United Nations shall claim such refund during the term of this Agreeness or during a period unsutherized or not in accordance with this Agreement, within thirty (30) days of its to the United Nations line Account any amounts shown by such sudits to have been (c) Each invoice paid by the United Nations shall be subject to a post payment of one (1) year following the expiration or prior termination of this Agreement.
- proction thereof. Such notification shall include a brief explanation of the reasons why United Nations may withhold the amount in question from further amounts payable to (d) The Bank shall notify the United Nations within thirty (30) days of its receipt the Bank disputes the refund. If the Bank disputes only a portion of such refund, it of the United Nations' claim to a refund if it intends to dispute the refund or any thall refund the amount of the undisputed portion within thirty (30) days. In the event that the Bank falts to make, or disputes, a refind or a portion thereof, the the Bank under this Agreement.
- withheld pursues to paragraph (d), above, shall be identified, segregated and held in amount, from the amount identified, segregated and held in the United Nations Iraq dispute is resolved in favour of the Bank, the United Nations shall pay the disputed (c) In the event that the Bank disputes a refund or a poziton thereof, the amount Account, by the Bank debiting such amount from the United Nations Iraq Account. the United Nations Iraq Account pending the resolution of such dispute. If the

refund, and if the United Nations has not withheld the dispused amount pursuent to paragraph (4), above, the Bank shall expeditionaly refund such disputed amount or If the dispute is resolved in favour of the entitlement of the United Nations to the portion thereof to the United Nations Iraq Account.

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intends to dispute an invoice or that the Bank intends to dispute a refund, as the case regarding a claim by the United Nations to a refund. Should such a dispute not be may be, such dispute will be resolved according to the terms of Article 1.23 of this modved within thirty (30) days after written notification that the United Nations (f) The United Nations and the Bank shall consult is good faith to promptly resolve cuestanding issues with respect to any disputed invoice or any dispute Agreement ("Sentement of Disputer").

### 1.21 Term and Termination.

signed this Agreement (Derein referred to as the "Effective Data"), with each of the Services to be performed by the Bank under this Agreeness commencing on a date materally agreed upos by the Purius. This Agreement will continue in effect for a period of six (6) months from the date when the United States Office of Potenga Asses Courol has issued the this Agreement. This Agreement may be traceved, at the sole option of the United Nations, request a rezewal of this Agreement after the explusion of the flux six-mouth renewal period menus of a written notification of such renewal by the Unified Nations to the Bank not later This Agreement will enter into force as of the date when both Parties have necessary license to the Bank (the "Initial Term") unless sooner terminated as provided in on the same terms and conditions hencel, for an additional period of six (6) mouths, by berciabefore referred to, for one or more additional successive periods of six (6) mounts than ten (10) days price to the expiration of the Initial Term. The United Nations may expiration of such first six-month tenewal period or a successive renewal period. Any ach, by so notifying the Bank in writing not later than thiny (30) days prior to the

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period thall require the written consent of the Bank, which consent shall not be unreasonably renewal of the Agreement after the expiration of the aforementioned first six-mosts masswal

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- Notwithstanding saything contained in Article 1.21.1, and without prejudice to any other right or remedy the United Nations may have under this Article 1.21 or otherwise under this Agreement, this Agreement may be terminated in whole or in part, upon the following terms: 1.21.2
- becounder or breaches any representation of warranty made herein and such failure to perform or breach is not cared within thirty (30) days after excelpt of written notice notice to the Bank in the event that the Bank fails to perform any of its obligations (a) The United Nations may terminate this Agreement at any time upon written thereof; and
- For the purpose of the foregoing, "change of courted" means (A) directly or indirectly a sale, transfer or other conveyance of all or substantially all of the assets of the Bank (the "Exchange Act"), whether or not applicable), as an entirety or substantially as an days prior written notice to the Bank, in the event of a change of control of the Bank. spplicable, except that a person shall be deemed to have "beneficial ownership" of all (b) The United Nations may terminate this Agreement upon not less than thirty (30) that term is used in Rules 134-3 and 134-5 under the Exchange Act, whether or not exercisable immediately or only after the passage of time), directly or indirectly, of Exchange Act, whether or not applicable), is or becomes the "beneficial owner" (as to any "person" or "group" (as such terms are used for purposes of Sections 13(d) and 14(d) of the Securities Exchange Act of 1934 of the United States, as amended entirety in one transaction or active of related transactions, (B) any "person" or group" (as such terms are used for purposes of Sections 13(d) and 14(d) of the thares that any met person has the right to acquire, whether such right is

directors then still in office who were either directors at the beginning of such period election by the shareholders of the Bank was approved by a vote of a majority of the more than 30% of the total voting power of all voting stock then outstanding of the or whose election or nomination for election was previously so approved) cease for Bank; or (C) during any period of 24 consecutive months, individuals who at the beginning of such period constituted the Board of Directors of the Bank (together any treason to constitute a majority of the Board of Directors of the Bank then in with any new directors whose elaction by each Board or whose nominarion for

- 1.21.3 The United Nations may, without prejudice to any other right or remedy it. Agraement furthwith upon any of the overse listed below upon written socice to the Bank: may have under this Article 1.21 or otherwise under this Agreement, terminate this
- including without limitation, any down-grading of the Bank's individual credit rating (a) in the event of any manufal adverse change in the Bank's financial condition, by IBCA to lower than "C".
- (b) if a trustee, conservator, committee, liquidating agent or governmental authority shall be appointed for the Bank to rake possession of or any substantial part of the business or assets of the Bank or if banknuptcy or other proceedings shall be commenced for any such purpose;
- any governmental authority or a proceeding is commenced for such purpose, and such deciaration or proceedings adversely affect or could adversely affect the performance (c) if the rights, privileges and franchises of the Bank shall be declared forfeited by by the Bank of the Services, or any Service, under this Agreement;

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(d) if the starcholders of the Bank affirmatively vote to place the Bank into liquidation or proceedings are commenced for such purpose:

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(c) if a government suithority that! bring a suit against the Bank pursuant to a banking the performance by the Bank of the Services, or any Service, under this Agreement; or other regulatory structs and said suit adversely affects, or could adversely affect,

(f) if the transaction of the usual business of the Bank is suspended for any reason, or if a committee of any creditors or a liquidating agent is appointed to operate such

that effect by the Security Council, or should the mundate of the United Nations under SCR Agreement forthwith at any time, upon written notice to the Bank, purment to a decision to The United Nations may, without prejudice to any other rights or remody it United Nations Inq Account or the Services, in the sole opinion of the United Nations, 986 he curtailed or reminated, or abould a decision of the Security Council render the may have under this Article 1.21 or otherwise under this Agreement, terminase this

berunder or breaches any representation or warrany made berein and side beauch is not cured within minery (90) days after receipt of written notice thereof; movided, however, that The Bank may reminate this Agreement at any time upon written notice to the United Wathers in the event that the United Nations fails to perform any of its obligations the Back thall have no right to terminate this Agreement during the initial six-mouth term

In the event of any termination, no payment shall be due to the Bank except for services parformed in conformity with the express terms of this Agreement.

Service, and (ii) the Bank shall deliver to the United Nations, as instructed in writing by two held in the United Nations Iraq Account as each collateral) shall remain in the United Nations hands remain in the United Nations Into Account. The Bank shall, pursuant to instructions in Nations funds that remain in the United Nations Iraq Account for the purpose of covering the propery held by the Bank purmans to this Agreement. However, sufficient finds (including Inq Account to cower: (1) the reimbursement to be made to the Bank for its payment of any this Agreement shall mirvive as necessary to apply in respect of such funds for as long as the writing by two Authorized United Nations Officials as aforementioned, deliver to the United Credit as hereinbefore provided as each such Letter of Credit explose without being paid, and mmediately return to the Bank all documentation and materials that remain the property of ave either expired or have been paid and such payments have been reimbursed to the Bank, tunds that, pursuant to Article 2.3.6, 2.3.7 and 2.3.8, are to be identified, segregated and Letters of Credit issued and paid by it, (iii) any then constanteding feets payable to the Bank accordance therewith. The amount of funds necessary for the fivegoing purposes shall be determined by consultations between the United Nations and the Bank. The provisions of Nations pursuant to such instructions in writing when all such outstanding Letters of Credit termination, (iv) any reimbursement then due to the Bank pursuant to Arricles 1.16.3 and Agreement shall automatically and timulianeously terminate, (ii) the United Nations shall Authorized United Nations Officials and having appropriate authority, all finds and other then unpaid outstanding Letters of Credit issued by it pursaust to Arricle 2.3 of this Agreement. (il) any reimbursement then due to the Bank pursuant to said Arricle 2.3 for from the United Nations Ing Account duly incurred under this Agreement prior to such Nations Iraq Account pursuent to Article 1.20.2(e), pending the final resolution of such reimbursences to be made to the Bank for its payment of unpaid coustanding Letters of Upon any termination of this Agreement, (i) all Services pursuant to this the Benk and were provided to the United Nations by the Bank in connection with any 1.25.3, (v) any amount of free in dispute identified, segregated and held in the United all remaining funds in the United Nations Iraq Account shall be delivered to the United dispute, and (vi) the amount referred to in Article 1.34 as such amount is reduced in

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and all of the other aforementioned reimbursements and payments due to the Bank have been

United Nations to use any amount or quantity of the Services or any of them, or to granuites exceed the amount of Available Punds as defined in Article 2.3.5. The United Nations shall provide the Bank with two (?) Business Days (as defined in Article 3.1.3) prior notice in the case of any withdrawal or transfer of all or substantially all of the funds or other assets held 1.21.8 Nothing in this Arricle 1.21 or elsewhere in this Agreement shall obligate the in the United Nations fraq Account, except for transfers or withdrawals provided for or consemplaned by SCR 986 and the Monoteandum of Understanding. pursuant to instructions in writing by two Authorized United Nations Officials having the requisite authority. It is a condition to any withdrawal that each withdrawal shall not paragraph, nothing shall restrict or limit the right of the United Nations to withdraw or transfer all or any part of the funds or other staten held or administrated by the Bank, a minimum usage of the Services or any of them. Subject to the conditions in this

### 1.22 Non-Excharivity.

The United Nations reserves the right at any time, incheding but not limited to during the team of this Agreement or any extensions thereof, to enter into any agreement of arrangements with any other entity or entities for any of the Services as accessery to carry United Nations shall incur no liability to the Bank by virtue of its catry into such agreements or annagements, it shall so inform the Bank in writing for information purposes only. The our its mandated activities. In the event that the United Nations enters into such agreements or arrangements.

1.23 Septement of Dimutes.

1.23.1 Amicable settlement. The Parties shall use their best efform to settle amicably any comination or invalidity thereof. Where the Parties wish to seek such an amicable senten through conciliation, the conciliation that take place in accordance with the UNCITBAL Conciliation Bules then obtaining, or seconding to such other procedure as may be agreed dispure, controversy or claim arising out of or relating to this Agreement or the breach. between the Parties.

with the UNCITEAL Athination Pulse than obtaining and the directions countined in this Article 1.23.2. The athinators scienced shall have a working innovinates of banking practice place in Now York City, New York. In connection with the interpresentation and application o Article 1.23.1 within sixty (60) days after receipt by one Party of the other Party's request of major international commercial banks, including the Services. The arbitration shall take this Agreement, the arbitrators shall apply (subject to Article 2.1.3) the substantive law of chall be bound by the arbitration award rendered in Stoordance with such arbitration as the 1.23.2 Arbitration. Any dispute, conserventy or claim artaing out of or relating to this Agreement, or the breach, termination or invalidity thereof, unless settled amicathy under for each amicable sottlement, shall be referred by either Party to arbitration in accordance Services, except to the extent that such law is inconsistent with the privileges and immunit of the United Nations or SCR 986. The arbitral tribunal shall have no surhority to swart punitive damages. The arbitral tribunal shall have authority to award such interest as it considers appropriate in accordance with the UNCITRAL Arbitration Bales. The Parties the State of New York relating to benicing services and practices in the mature of the final adjudication of any such dispute, controversy or claim. 89/13/96 11:49

### 1.24 Privileges and Immunities.

reference to New York law in Article 1.23, shall be deemed a waiver, express or implied, of any of the privileges and immunities of the United Nations, its programmes, funds or offices, whether under the Coursembin on the Privileges and Immunities of the United Nations, the December 1945, or otherwise, and no provision of this Agreement shall be interpreted or Nothing in or relating to this Agreement, including, but not limited to, the insermitonal Organizations lummalibes Act of the United Sames, Public Law 79-291, 29 appiled in a manner, or to an extent, inconsistent with each privileges and immunities.

The United Nations Iraq Account shall enjoy the privileges and immunities of full immunity from any attachment, lies or other ensumberance against such Account of any the United Nations referred to in Arricle 1.24.1 and those specified in SCR 986, including finds or investments (pursuan to Part 4 of this Agreement) therein.

### 1.25 In Brancism.

customs duties and charges of a similar nature in respect of articles imported or exported for exemps from all direct states, except charges for public utility services, and is exempt from Section 7 of the Convention on the Privileges and Immunities of the United Nations exemption from such taxes, duties or charges, the Bank shall immediately consult in official use. In the event any governmental authority refuses to recognize the United Nations provides, inter alia, that the United Nations, including its subsidiary organs, is with the United Nations to determine a mutually accliptable procedure. 1.25.1

the payment thereof and the United Nations has, in each instance, specifically authorized the such taxes, duties or charges, unless the Bank has consulted with the United Nations before 1.25.2 Accordingly, the Bank shall not include in in fees my smount representing Hank to pay such taxes, duties or charges under protest. In that event, the Bank shall

provide the United Nations with written evidence that payment of such tures, duties or charges has been made and appropriately authorized.

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munuily agreed procedure referred to in Article 1.25.1 to contest or avoid such taxes, duties Nations for engaging the attorneys in question, such consent not to be uncreasonably withheld. and charges. Such mimbunement shall be payable by the United Nations exclusively from The Bank shall be emitted to reinbursement for its reasonable costs of the funds in the United Nations Iraq Account. Such reimbursement shall include reasonable atterneys fees provided that the Bank shall have obtained the prior consent of the United

permitted or required hereunder thall be in writing and delivered by hand, transmitted by referopies with transmittal receipt, or seat via certified or registered mail, tenum receipt requested, to the parties at the addresses hereafter guest or such other addresses as the 1.26 Notices. Except as otherwise provided in this Agreement, any and all notices Parties may specify in writing:

Amendion: The Deputy Treasurer New York, New York, 10017 The United National Fax: (212) 963-2086 If to the United Nations:

Banque Nationale de Paris Commodiries & Trada Finance Attention: Bvs Millas Russo New York, New York Fax: (212) 415-9898 499 Park Avenue If to the Bank:

or (212) 415-9707

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(pursuant to Article 2.2); As specified in writing by the United Nations If to the Central Bank of Iraq

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Notices delivered by hand or by relecopier shall be deemed merived upon receipt (in the case deemed received as evidenced by and on the date indicated in the return receipt aigned by the of telecopies transmission as evidenced by and on the date and at the time indicated in the telecopier unamnitus confirmation), and those sent by certified or registered mail shall be

- obtaining all licemen, approvals and other clearances form governmental or other authorities occasary for the performence of its obligations under this Agreement. The obtaining of the necessary license from the United States Office of Foreign Assets Control (OFAC) shall be a condition precedent to the performance of the Services by the Bank. The Bank agrees to use is best efforts to obtain such OPAC license as soon as possible after the execution of this necessary OPAC license is not issued within twenty (20) days after the Effective Date as defined in Article 1.21.1, the United Nations shall be entitled to terminase this Agreement 1.27 Licensen, Approvals and Other Clearances. The Bank shall be responsible for Agreement, and the United Nations shall assise in that respect as appropriate. If the forthwith by written notice to the Bank.
- 1.28 Observance of the Law. The Bank shall comply with the laws, ordinances, mics and regulators applicable to a bearing on the performance of its obligations under the
- Maingement of the United Nations (reference to whom in this Article and in Article 1.30 1.29 Authority to Modify. Only the Under-Secretary-General for Administration and shall include the Official of the United Nations acting on his behalf in his absence) is

be valid and enforceable against the United Nations unless provided by an amendment to this Agreement, to a waiver of any of its provisions or to any additional contractual relationship of any kind with the Bank. Accordingly, so modification or change in this Agreement shall any authority heretofore provided in this Arricle 1.29. Such delegation of authority shall be Agreement shall be valid and enforceable against the Bank, and no waiver by the Bank shall urborized to agree on behalf of the United Nations to any modification of or change in this Administration and Management of the Unised Nations. No modification or change in this Management of the United Nations may delegate to another Official of the United Nations Management of the United Nations. The Under-Secretary-General for Administration and Agreement signed by the Bank and the Under-Secretary-General for Administration and by means of a written document signed and dated by the Under-Secretary-General for be valid and enforceable, unless such modification, change or walver is express and in Management of the United Nations, and no waiver thall be valid or enforceable unless express and in writing signed by the Under-Secretary-General for Administration and ertiting signed by the Bank.

of the United Nations any authority heretofant provided in this Article 1.30. Such delegation other information developed by the Bank relating to the United Nations Iraq Account and the disclosure which would be prohibited by any legally binding agreement to which the Bank is with a view towards arriving at a matually agreeable solution. The Under-Secretary-General United Nations in facilitating the provision of banking services relating to the subject matter for Administration and Management of the United Nations may delegate to another Official United Nations of any disclosure which is so prohibited and consult with the United Nations 1.30 Cooperation. The Bank agrees that at any time (whether before or after the United Nations has given notice of termination), upon request by the Under-Secretary-General for of this Agreement by unother financial institution, including the transfer of any dumbass or s party on the Effective Date; provided, however, that the Bank shall promptly notify the Administration and Management of the United Nations, it will cooperate fully with the Services. Notwithstanding the foregoing, the Bank shall not be obligated to make any

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of surbority shall be by means of a writing document signed and dated by the Under-Secretary-General for Administration and Management of the United Nations.

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such evers and implement such procedures. The Bank further represents and warrants that it eximises thereof suitable arrangements to sufsquard against the destruction, loss or alternation affecting performance of this Agreement. In such event, the Brok will use in best efforts to United Nations that such procedures are fully operational. The Bunk shall be secured from implementing its disaster recovery procedures as a result of a funct insigning event if that event prevents the Bank from implementing such procedures, provided that it has used its event prevents the Bank from implementing such procedures, provided that it has used its best efforts to avoid, minimize, mingate or remedy as soon as possible the consequences of 1.31 Breshipova, Disator Roccerry. The Bank spreems and warmers that it has in place and will mainstin for the southe term and doration of this Agreement and any expession provide the United Nations with a current written copy of such proceedures and certify to the thereof dissider recovery procedures which will be promptly implemented in the event of a us in place and will maintain for the entire term and characton of this Agreement and any of messages, data or other information or communications, including but not limited to messages, data, information and communications relating to the United Nations Enq. operability of its diseaser recovery proceedures and, upon request by the United Nations. partial or ustal failure, breakdown or impairment of the Bank's computer or other data processing, data transmission or communications systems, from any cause whatsoever, avoid ary interruption of the Sarvices, and to limit such interruption to the shortest practicable time. The Bank will periodically, at least armually, updam and test the Account, the funds and usees therein, the Services, and transactions relating to the

### 1.32 - Miscellancous.

right or mencdy heromoder shall operate as a waiver thereof; nor shall any single or partial 1.32.1 No failure on the part of either Party to exercise, and no delay in exercising, any

exercise by either Party of any right or remedy herounder prochude any other or further exercise thereof or the exercise of say other right.

covaid, illegal, or unenforceable in any respect, the validity, legality, or enforceability of the 1.32.2 In the event that any one of the provisions of this Agreement shall be held to be remaining provisions of this Agreement shall not be affected or impaired thereby.

Services (except as otherwise expressly provided herein) and supersedes and replaces any previously made proposals, representations, varrantes or agreements, express or implied, 1:32.3 This Agreement constitutes the entire agreement of the parties with respect to the either and or in writing, between the Parties. 1.33 Liability of the United Nations. Any obligation or liability of the United Nations under or in connection with this Agreement shall be covered exclusively from, and shall be limited to, funds in the United Nations Iraq Account.

receipt of funds into the United Nations Iraq Account in at least such amount, which may be opersprises manner as agreed between the United Nations and the Bank after consultations 1 '4 BESETYS. Norwithstanding any other provision of this Agreement, there shall remain in the United Nations Iraq Account as all times a sum of \$100,000, subject to the used only in provide reimbursement to the Bank pursuant to Articles 1.16.3 and 1.25.3; provided that if the United Nations withdraws funds in the United Nations Iraq Account pursuant to Articles 1.21.7 or 1.21.8, such required amount shall be adjusted in an perwent them.

United Nations represents and warrants to the other that this Agreement (1) has been duly 1.35 Remementations by the Bank and the United Nations. Each of the Bank and the authorized, execused and delivered by it and (ii) constitutes a legal, valid and binding

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agreement of it, enforceable in accordance with its terms, subject to the privileges and immunities of the United Nations.

### PART 2: LETTERS OF CREDIT

### 2.1. General.

- Memorandum of Understanding, the 661 Committee Procedures and the terms and conditions 2.3.1 The Bank undertakes to provide the Services set forth in this Part 2 with respect to Letters of Credit (hardrander referred to as TLOCs?) in accordance with SCR 986, the of this Agmenterst.
- 2.1.2 The Bank recognizes that the implementation of SCR 986 and the Memorandom of Understanding riequirus that purchases of Iraqi petroleum and petroleum products and exports to Iraq of humanintian supplies, except for purchases made directly by the United Nations Inter-Agency Humanitatian Programme, to paid for through LOCs.
- "UCP"). Accordingly, the UCP shall be incorporated into the sent of each LOC issued or 2.1.3 LOCs referred to in this Agreement shall conform with and be governed by the Uniform Customs and Practice for Documentary Credits (1993 Revision) Interastional Chamber of Commerce Publication No. 500, and any revisions thereof, (hereinather referred to as the confirmed by the Bank. The Parties agree that nothing in this Agreement is insended to be inconstant with the UCP.
- Official baving the requisite authority with respect to the issuance, confirmation, advice or he United Nations to seek to modify or revoke an approval or instruction after the Bank has imendment of an LOC, or instruction with respect to discrepancies, may be revolted after such 2.1.4 No approval or instruction received by the Bank from an Authorized United Nations aprived or instruction has been send upon by the Bank. However, should circumstances cause

acted upon it, the Bank shall assist and co-operate with the United Nations in good faith in attempting to deal with or resolve those circumstances.

- in cases where the Bank issues an LOC directly as the Purchaser's Bank on behalf of its mulatis materials, in respect of amendments to LOCs. The LOCs referred to in this Article 2.2 2.2.1 Upon receipt of an LOC issued by a bank on behalf of a State or national perroleum purchaser (hereinalitar rationed to as a "Purchaser") for the purchase of Inagi perroleura or percoleum products (any such issuing bank hereinather referred to as a "Purchasen's Bank"), and customer (as provided in Article 2.2.8 below), the Bank shall comply with the procedures and requirements set forth in this Article 2.2. Such procedures and requirements shall also apply, are LOCs for the purchase of Iraqi petroleum and petroleum products.
- 2.2.2 The Back shall immediately verify that the beneficiary of each LOC is the United Nations, as the holder of the United Nations Iraq Account in accordance with SCR 986, the Memorandum of Understanding and the 661 Committee Procedura, and that each LOC commiss provisions to the following effect:
- (a) Provided all terms and conditions of this Letter of Credit are complied with, proceeds of this Latter of Credit will be irrevocably paid into the "United Nations Iraq Account", account number 0200-201752-001-06, with Banque Nationale de Parls, S.A., New York Branch; and
- (b) All charges within Inq are for the account of the Selier, whereas all charges outside ling are to be borne by the Purchaser; and
- (c) This Letter of Credit is not assignable and not transferable.

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## 2.2 Purchases of Iraci Petroleum and Petroleum Products.

2.2.4 The United Nations stall provide the Bank with a copy of this standard form of commen to be used for purchases of Iraqi petroleum and petroleum products. Such sandard form contract shall centain provisions to the following affect: (t) The parties besten agree that payment of the LOC contemplated harmonder shall be made to the United Nations, as holder of the United Nations Inq. Accounts, account number 0200-201752-001-08, at Banque Nationale de Paris, S.A., New York Branch; (b) The Lotter of Credit to be issued under this commen thall be issued by a bank that mosts crimeis that have been established for the confirmation of the Lenter of Credit by Banque Nationale de Paris, S.A., in an Agreement for Banking Services pursuent to Security Council resolution 986 (1995), entered into between Banque Nationale de Paris. S.A. and the United Nations. 2.2.5 When transmitting the LOC to the Bank, the insuling bank must certify that it has obtained any occasion; powermental unforcination for the issuance of the LOC.

2.2.6 The Bank shall immediately transmit a copy of the LOC received by it from the Purchaser's Bank to the Overseers of the 661 Committee, through the Deputy Trussurer of the

complies with the information given by the Purchaser in its approved application for the United Nations (unless the Bank has been authorized by the Depury Treasurer to communicate directly with the Overscors), and shall draw the attention of the Overscors to any lack of conformity of the LOC with the requirements of this Agreement. If the Overseers of the 661 Committee, through such a United Narious Official, inform the Bank in writing that the LOC purchase of Iraqi perroleum and perroleum products, the Bank shall add its confirmation to the LOC provided that the criteria bereinsities set forth are met: (i) the bank issuing the LOC has an individual IBCA credit rating of C or better; if the LOC is for a maximum amount, the following additional criteria shall apply: (ii) the credit limit established by the Bank in the addany course of its business and then in effect for the bank issuing the LOC would not be ordinary course of its business and then in office for the country where the bank issuing the LOC the Bank, in its sole discretion, determines that it can confirm an LOC issued by the issuing heat in question only if the LOC is for a maximum amount. Under so circumstances shall the that the congract for the purchase of lingi petroleum and petroleum products conforms to the the provisions referred to in Article 2.2.4(s) and (b)), and an Authorized United Nations Official having the requisite authority will provide the Bank with the following information concerning exceeded by confirming the LOC, and (iii) the credit limit established by the Bank in the is located would not be exceeded by confirming the LOC. Notwithstanding the foregoing, the Bank may confirm an LOC even if one or more of the foregoing criteria are not met. The Bank shall conflirs the LOC as provided berein even if the LOC is not firs a maximum amount unless Benk add its confirmation to the LOC unless the Bank has been informed by the Overseers of the 661 Committee that the LOC complies with the information given by the Puzchaser in its that the Overneers of the 661 Committee so inform the Bank, they shall also confirm to the Bank standard form of comment for the purchase of Iraqi perroleum and petroleum products referred approved application for the purchase of Iraqi petroleum and petroleum products. In the event to in Article 2.2.4 or indicate any departure therefrom (which may not include departures from aid contract: contract number, quality, quantly, date of loading, wered and pricing mechanism. When the Bank has added its confirmation to an LOC, it shall advise the LOC directly to the

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11:49 de/1.3/36 United Nations and, for information purposes only, forward a copy thereof to the Central Bank. of Iraq for the purpose of advising the Iraqi Sane Oli Marketing Organization (SOMO).

Committee before it has determined, in accordance with Article 2.2.6, whether it will add its 2.2.7 Should the Bank refuse to add its confirmation to the LOC in accordance with Article 2.2.6, it shall so inform the Overseers of the 661 Committee, through the Doputy Treasurer of the United Nations (unless the Sank has been sutherized by the Deputy Treasurer to communicate directly with the Oversears), giving the reasons for each refusal, at the time it transmits the copy of the LOC for their raview. If so requested by the United Nations, the Bank chall consult with the United Nations regarding the reasons for such radius). However, the Bank shall not be required to give trancos fix its determination, pursuant to Article 2.2.6, that it can configur an LOC issued by an issuing bank only if the LOC is for a maximum smount. The Sank shall not reflue to confirm an LOC if it has not so notified the Overseers of the 661 Committee. It is understood that the Bank will not trausmit the LOC to the Overseers of the 661 confirmation to the LOC; however, such determination will be made without delay.

in connection with purchases of petroleum and petroleum products and those relating to the contents of the LOC. However, no confirmation by the Bank of such an LOC issued by it shall 2.2.8 The Bank may issue LOCs directly as the Purchaser's Bank on behalf of its customers who are approved purchasers of Iraqi petroleum and petroleum products. Such LOCs thall compy, manula munudis with all provisions of this Agreement, including, but not limited to, the requirements relating to prior review and approval by the 661 Committee of LOCs issued

2.2.9 Documents to obtain payment of the LOC shall be presented to the Bank at the address set forth below, or at such other office of the Bank ar the Bank and the United Nations may

Burque Nationale de Paris, S.A. Trade Finance Services Am: Harold Lehmann World Pinencial Center 200 Liberty Street New York Office

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New York, New York 10281-1062.

2.2.10 The proceeds of each LOC shall be paid only into the United Nations Iraq Account and shall be held sericity in accordance with the terms and conditions of this Agreement. 2.2.11 The Bank hereby undertakes not to sell, assign or transfer any LOC to any person or cutty, whether governmental or otherwise.

products, and all charges outside Iraq are to be borne by the purchaser of such products, and 2.2.12 All charges within Iraq are to be borne by the seller of the Iraqi perroleum or perroleum meh charges are not to be covered from the funds in the United Nations Iraq Account.

of such amendment to the LOC to the Overseers of the 661 Committee in accordance with Articles 2.2.6 and 2.2.7. If the Overseen approve the amendment to the LOC, the Bank shall 2.2.13 The provisions of this Article 2.2.13 applyIn the case of an LOC for a maximum products exceeds the maximum amount of the LOC, and the bank that issued the LOC leaves an amendment to the LOC to cover the excess purchase price, the Bank shall transmit a copy amount. In the event that the invoiced purchase price of the Iraqi petroleum or petroles

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unbonity to give binding instructions to the Bank concerning such LOCs. When the Bank menives such a request, it aball immediately forward it to the Deputy Treasures of the United Nations for approval. Except for LOCs described in Article 2.3.8, the approval shall consain stipulations in substance as follows: (a) approval it given to open the LOC; (b) the Benk is authorized to identify, segregate and hold in the United Nations Inq Account as eash collateral the amount that the Bank would be required to pay under the LOC and the amount of its fees related to the LOC that are payable from the United Nations Iraq Account pursuant to this Agreement, and, if applicable, the additional amount provided for in Article 2.3.7 to cover currency for the payment of LOCs denominated in such currency, and (c) the Bank stall be potential currency exchange losses in the purchase by the Bank of non-United Sunes dollar rembused from the United Nations Ing Account, in accordance with the terms and conditions of this Agreement, for its payment under the LOC, provided that such payment has been made in fail conformity with the terms and conditions of the LOC and all documents presented for payment are in coordinately with the requirements of the LOC. Upon receipt of such approval in writing from the Deputy Treasurer of the United Nations or another Authorized United Nations Official having the requisite authority, the Bunk shall issue the LOC in accordance with

2.3.3 The requirements set forth below thall apply to LOCs covering purchases of bumenitarian and other supplies:

(a) The Bank thall be reimbursed, in accordance with the terms and conditions of this Agreement, for any payment by the Braik of LOCs issued by it only from funds in the United Nations Ima Account; (b) If documents presented to the Bank under the LOCs issued by the Bank are in conformity with the terms and conditions of the LOCs, the Bank shall be authorized to make payment under the LOCs;

tenemine that it is in a position to confirm the amendment to the LOC. If the Bank is still provided in Article 2.2.7. Under no circumstances shall the Bank add its confirmation to the If such criseria would not be met, the Bank shall nevertheless make a good faith effort to umble to confirm the amendment to the LOC, it shall so inform the Overscens of the 661 to the LOC to them for their review, and, if requested, consult with the United Nations as Committee that they have approved the amendment. When the Bank has added its confirmation to the amendment to the LOC, it shall advise the amendment directly to the United Nations and, fix information purposes only, forward a copy thereof to the Central Bank of Iraq for the purpose of advising SOMO. If an amendment to the LOC is not issued or is not confirmed by Nations Iraq Account) to draw the full amount of the LOC in accordance with its terms that I not add its confirmation thereto, provided that the criteria set forth in Arricle 2.2.6 would be met. Comminse in accordance with Article 2.2.7 at the time it transmits the copy of the amendment amendment to the LOC unibes the Benk has been informed by the Oversons of the 661 the Bank, the right of the beneficiary of the LOC (the United Nations, as holder of the United be prejudiced thereby.

# 2.3 Exports to Irac of lumanization and other numbies current to SCR 986.

2.3.1 The Bank undertakes to be the issuing bank for LOCs for purchases by the Government of line of humanitarian and other supplies purpant to SCR 986. In performing such Services, the Bank shall comply with the procedures and requirements set forth in this Arricle 2.3. The LOCs referred to in this Article 2.3 are LOCs for such purchases of humanitarian and other 2.3.2 The Contral Bank of Iraq will forward to the Bank requests from the appropriate Iraqi Government emities to open irrevocable, non-transferable, non-assignable (except to the supplier's bank for the repayment of financing for the purchase of the humanianian supplies) LOCs for the account of the Iraqi purchaser in favour of the supplier. Such requests shall provide for payment from the United Nations Ina Account. Only the United Nations has the

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LOCs issued by it, the Bank shall request written instructions from the Deputy Treasurer of the United Nations. The Bank shall follow all such instructions issued by ass Authorized United Nations Official having the requisite authority.

(c) If documents are presented to the Bank which are not in conformity with the

2.3.4 The LOC shall require as condition for payment of the LOC the submission to the Bank of the following documentation:

- (a) the customary commercial documentation,
- (b) a copy of the 661 Commitme's letter stating that the exporter is eligible for payment from the United Nations Iraq Account,
- (c) a confirmation by the Secretary-General's designes of the arrival of the exported goods in Iraq, and
- (d) any required governmental license or equivalent authorizing the export.

stignished in the LOC are presented to it and if all other narms and conditions of such LOC are can be made in the thill amounts that correspond to actual issustment deliveries to ling, provided The Bank shall effect payment under any LOC only if all the documents listed above and thas arrivals of each actual deliveries are confirmed in accordance with this Agreement Documentary discripandes can be waived only by an Authorized United Nations Official baving complied with. When specified is the contract and the supporting documents, partial psyment the requisite suthority.

Plunds" means the funds in the United Nations Iraq Account at any given time net of the 2.3.5 (a) As used in Article 2.3 and elsewhere in this Agreement, the term "Available aggregate of the following amounts: (i) the amounts then identified, segregated and held in the

United Nations Iraq Account as each collaboral purcuant to Article 2.3.6, 2.3.7 and 2.3.8, (ii) Bank from the United Nations Ing Account duty incurred under this Agreement for which the amount referred to in Article 1.34, subject to adjustment as provided therein, (iii) any amount of fees in dispuse then identified, segregated and held in the United Nations ling Account parsuant to Article 1, 20, 2(e), (iv) any reimbursements then che to the Bank for its reasonable costs pursuant to Articles 1.16.3 and 1.25.3 and (v) any then ourstanding fees payable to the amounts are not identified, segregated and held in the United Nations Iraq Account.

this Agreement for payments made by it under an LOC, the Bank is paid its fees related to (b) The amounts of cash collected identified, segregated and held in the United Nations ling Account pursuant to Arricles 2.3.6, 2.3.7, and 2.3.8 aball he adjusted accordingly as and when an LOC expires to the extent that it is suppaid, the Bank is reimbursed pursuent to LOCs that are payable from the United Nations Lng Account pursuant to this Agreement or adjustments are made to the additional amounts of cash collateral referred to in Article 2.3.7. freq Account pursuant to Article 1.20.2(c) shall be adjusted accordingly as and when disputes Similarly, the emounts of fees in dispute identified, segregated and held in the United Nations concerning such face are resolved and payment or refunds of such face are made in accordance with the resolutions of such disputes.

Nations Iraq Account to cover such LOC and the fees of the Bank related thereto that are payable from the United Nations Iraq Account puralism to this Agreement. Also except in the collaires the amount that the Bank would be required to pay under the LOC and the amount of in fees related to the LOC that are payable from the United Nations ling Account pursuant to 2.3.6 LOCs will be available for payment only at the Bank and aball provide for payment only from the United Nations Inq Account. Except in the case of LOCs described in Article 2.3.8, the Bank shall not issue an LOC unless there are sufficient Available Funds in the United case of LOCs described in Article 2.3.8, concurrently with the issuance of an LOC, the Bank is amborized to identify, segregate and bold in the United Nations Iraq Account as cash his Agreement. The Bank is surborized to debit from the amount identified, segregated and

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documents presented for payment are in conformly with the requirements of the LOC, or an Authorized United Nations Official having the requisite authority has waived a discrepancy seld in the United Nations Iraq Account as eash collateral as hereinbefore provided the amount accessary to reimbures itself for any amount paid by it under the LOC, provided that such payment has been made in full confurmity with the terms and conditions of the LOC and all permans to Article 2.3.3(c). If such amount identified, regregated and held in the United Nations frag Account as cash collastral is not sufficient to provide full reimbursement to the Bank for in payment under the LOC, the Bank may, after commitation with the United Nations, debit from Available Punds such additional amount as is necessary to provide such full relationsement. The Bank's free column to the LOC that are payable from the United Nations less Account pursuan to this Agraement shall be involted to sait paid by the United Nations from the United Nations Ing Account in accondance with Article 1.20.

2.3.7 LOCs provided for in this Article 2.3 will normally be denominated in United States dollars. In the event that an LOC denominated in stocker freely conswerible currency is United Nations land Account in accordance with the provisions of this Arricle 2.3.7. If much purchases of non-United States dollar currencies are made by the Bank: () such purchases shall requested and approved pursuent to this Agreement, purchases of the non-United States dollar currency in which payment of nuch LOC is to be made shall be cowered from thanks from the be made on a spot basis at the time the terms and conditions for payment of the LOC have been met, at an exchange teau manaily agreed between the United Nations and the Bank, (ii) the Bank shall be sutherized to identify, segregate and hold in the United Nations (fraq Account as each collected, in addition to the amount identified, segregated and held in the United Nations line Account referred to in Article 2.3.6, an amount, equal to five per cent (3%) of the amount that the Bunk would be required to pay under the LOC, to cover potential currency exchange louses a the purchase by the Bank of the non-Unised States dollar currency with which payment of the appenand and held in the United Nations ling Account as each collaieral pursuant to Article OCC is to be made, and (HI) the Bank aball be surfactived to debit from the amount identified, .3.6 and this Article 2.3.7 the full cost of the purchase of the non-Unind Scaps dollar currency

the aggregate cash collateral identified, segregated and beid in the United Nations Iraq Account for payment of the LOC in accordance with the provisions of Article 2.3.6 and 2.3.7. Should denominated LOC be less than the amount in United States dollars necessary to purchase the than five per cent (5 K), additional cash collaserd, in an amount equal to five per cent (5 K) of to cover reimburement to the Bank for its payment of a particular non-United States dollarmore-United States dollar corrency to pay the LOC, adjusted on a matit-to-market basis, by more the knownt originally identified, segregated and held as each collained to cover mindursement to the Mank for its payment of the LOC, will be identified, regregated and held in the United Nations Linq Account. For any additional five per cent (5 %) increase in the expouns in United Sunce delians necessary to purchase the non-United States deliar currency to pay the LOC, Nations Iraq Accounts abull be increased by an additional five per cens (3%) increment as bereinshove provided. Conversely, such additional cash collaboral shall be restored to Available adjusted on a mark-to-market basis, the amount identified, segregated and held in the United Plands as and to the extrem that the amount in United States dollars necessary to pumbase the non-United States dollar currency to pay the LOC becomes fully covered without such additional cash collanaral. The above-described mark-to-market calculations will be performed daily based The foregoing arrangements shall be subject to such other or additional terms as may be agreed on the Euchange Rate quotations for the prior business day as quoted in the Wall Street Journal. in writing between the Bank and the United Nations.

2.3.8 The Bank shall issue LOCs in respect of the purchase of parts and equipment essential for the safe operation of the Kistosic-Yumuralik pipeline without there being sufficient Available Nations Official baving the requisite authority comalife stipulations along the following lines: (a) Funds in the United Nations ling Account, provided the approval of the Authorized United spanoral is given to open the LOC; (b) upon receipt of Available Punds in the United Nations (rag Account in an amount sufficient to reimburse the Bank for any payment to be made under the LOC and the amount of the fres relating to the LOC that are payable from the United Nations Inq Accoust pursuent to this Agreement, the Bank shall identify, segregate and hold uch amount in the United Nations Iraq Account as each collaurali (c) the Bank is amborized

; ;

to debit from such cash collaieral the smootin necessary to reimbure itself for any payment under the LOC, provided that such payment has been made in full conformity with the terms and conditions of the LOC and all documents presented for payment are in conformity with the requirements of the LOC, and provided further that an Authorized United Nations Official baving the requisite authority has approved such payment. The LOC shall include the following conditions in addition to those set forth in Article 2.3.4;

- (a) the Bank shall not be required to make any payment under the LOC unless and until the United Nations Inq Account contains Available Pinds in an amount sufficient to reimburse the Bank for such payment and any free that are payable from the United Nations Iraq Account pursuant to this Agreement relating thereso; and
- (b) the Bank shall not make any payment under the LOC unless the Authorized United Nations Officials having the requisite authority approve each payment.

Upon receipt of Available Funds in the United Nations Leaq Account in an amount sufficient to to identify, supregate and hold such amount in the United Nations Iraq Account as each colluteral. The Bank is surborized to debit from such amount identified, segregated and held in reimburse the Bank for any payment to be made under an LOC described in this Article 2.3.8 and its related thes that are payable from the United Notions I'ng Account parasses to this the United Nations Insq Account as cash collapsent the amount eccessary to reimburse inself for any amount peld by it payment under the LOC, provided that such payment has been made in Agreement, the Bank shall request approval from the Deputy Treasurer of the United Nations shall conformity with the terms and conditions of tife LOC and all documents presented for payment are in conformity with the requirements of the LOC, or an Authorized United Nations Official having the requisite authority has wrived a discrepancy parament to Article 2.3.3(c), and provided further that an Authorized United Nations Official having the requisite authority has approved such payment. If such amount identified, segregated and held in the United Nations ing Account se cash collateral is not sufficient to provide full reimbursement to the Bank for

is payment under the LOC, the Bank may, after consultation with the United Nations, debit from Available Funds such additional amount as is necessary to provide such full relimburement. The Benk's fees related to the LOC that am payable from the United Nations Inq Account parament to this Agreement shall be involved to and paid by the United Nations from the United Nations Iraq Account in accordance with Article 1.20.

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# PART 3: PROCESSING OF NON-STRECTRONIC TUNDS TRANSFER INSTRUCTIONS

- 3.1.1 Delivery of Non-Electronic Triantle Instantions. From time to time, two of the the Bank may specify by written notice to the United Nation, nun-electronic funds transfer instructions with respect to the United Nations find Account in my of the following forms (each being thereinsfer referred to as "Non-Electronic Funds Transfer Instructions"); Authorized United Nations Officials baving the requisite suthority may deliver or transmit to the Commodition & Trade Funnoe, or to such other address or such other Officer of the Bank as Bank's offices at 499 Park Avenue, New York, New York, to the attention of Eva Millas Russo,
- (a) one or more written funds transfer instructions, (apped by two such Authorized United Nations Officials, in such form as may be mutually agreed upon in writing by such Authorized United Nations Officials and an Officer of the Bank;
- (b) funds transfer instructions delivered by means of factimila transmission confirmed by a transminal receipt and eigned by two such Authorized United Nations Officials.
- 3.1.2 Notwithstanding the foregoing, the Bank skill not accept any Non-Electronic Punds Available Funds (as defined in Article 2.3.5) in the United Nations Iraq Account as of the date Transfer Inseructions from any Authorized United Nations Officials unless there are sufficient of such instructions to cover the emount of any such transfer, <u>provided, however</u>, that the Bank thall accept a Non-Electronic Funds Transfer Instruction to make payments from funds

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identified, segregated and held in the United Nations Inq Account purnass to this Agreement for purposes for which such fands have been so identified, regregated and held. 3.1.3 Upon receipt by the Bank of proper Non-Electronic Fluck Transfer Instructions, as provided above, but subject to verifying the authonistity themsof in secondance with Anticle 3.2, the Bank shall transfer funds in the amount and manner specified in such Non-Electronic Funds Transfer Instructions to the designated payee and, thereupon, debit the United Nations Inq Account. If such proper Non-Electronic Punds Transfer Instructions are menived by the Bank (3) prior to 10:00 s.m. Bastern Time on any day on which commercial banks and foreign in ben efform to effect such transfer as of the name Business Day, but in any event no later than exchange markets settle payments in New York (beminafter referred to as a "Bustones Day"), such transfer shall, subject to such verification, be made on such Business Day, or (ii) after 10:00 s.m. Lastern Time on any Business Day, the Bank shall, subject to such verification, use the next succeeding Business Day; gravided that if each transfer has been designated as urgent by an Authorized United Nations Official baving the requisite authority, the Bank shall use its best efforts to affect such transfer as of the same Business Day.

3.2 Security Procedures. The Bank shall verify the ambenicity of all Non-Electronic Funds Transfer Instructions as follows: Upon receipt of Non-Electronic Punds Transfer Instructions at the Bank's Commodities & Trade Fluence Deak, the Bank shall check all signatures and make a callback to an Authorized United Nations Official having the requisits surhority, preferably as Authorized United Nations Official who did not sign the Non-Elementic Punds Trinsfer Instructions, to verify the instructions given therein. 3

(b) The Bank shall then transmit the Non-Electronic Funds Transfor Instructions to its Collateral Control Section within the Trade Finance Services Department to verify sufficient cath balances in the United Nations Inq Account from which payment under

3.1.2. The Trade Finance Services Department will set agide the required funds and the Non-Electronic Funds Transfer Instructions can be made in accordance with Article notify the Commodities & Trade Finance Deak that sufficient funds exist to make the

. . . .

(c) The Bank shall then transmit the Non-Electronic Funds Transfer Instructions to its Funds Transfer Department for processing via its payment system.

a zero overdraft limit on the United Nations Iraq Account. Consequently, the Funds (d) The Commodities & Trade Plaunce Desk will have set up a zero transaction and Trainfer Department will call the Commodities & Tride Finance Deak to verify again that the transfer can be released.

(e) Upon approval from the Commodities & Trade Firance Deak, the Bank will release the trumfer. The United Nations will follow up by sending the original hard-copy request to (f) The United Nations the Bank as confirmation.

3.3 General Provisions Respecting Non-Blactronic Punds Transfer Instructions. The United Nations shall be bound by any Non-Electronic Punds Trensfer Instructions, whether or not actually authorized, if, but only if, they were issued in its name, conformed on their thee with the requirements of Article 3.1, and purported to be issued by Authorized United Nations and such instructions were accepted in good faith by the Bank and in compliance with the security procedures are forth in Article 3.2. The security procedures and other terms specified here shall also apply to amendment and cancellations of Non-Electronic Pands Transfer instructions. It is understood that these security procedures are designed to verify the Officials having the requisite authority to give such Woe Blextwale Finals Transfer Ingeructions

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unberticity of, and not to detect errors in, Non-Electronic Funds Transfer Instructions.

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4.3 Interest Rans. Interest rates payable on investments of finds in the United Nations

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3 ZO. 888 Iraq Account shall be based on the interest rais formalise set forth in Annex 6.

IN WITNESS WHEREROF, the Paries have executed this Agreement on the dates

heminafter specified.

## PART 4. INTEREST PAID ON BALANCES

iraq Account for the purpose of earning interest. Such investments shall only be in the form of Officials having the requisize authority with respect to investments of funds in the United Nations overnight or other short term interest-bearing investments and shall be specifically identified as assets of the United Nations Iraq Account. The Bank thall place the funds in sub-accounts of 4.1 Instructions. The Bank shall are on the instructions from the Authorized United Nations the United Nations leng Account for the purpose of such investments.

and held in the United Nations Iraq Account as each collateral planates to this Agreement in an oversight investment and-account of the United Nations Iraq Account separate from other The Bank shall place amounts identified, segregated 4.2 Investment of Cash Collarad.

inventment sub-accounts of the United Nations Irra Account. (CONTINUED ON NEXT PACE)

THE UNITED NATIONS BANQUE NATIONALE DE PARIS, S.A. Name: Pierre Schneider

Distr. Comman. 8/RE6/986 (1995) 14 April 1995 Security Council

BESCHLITTION SEG (1995)

admited by the Samuricy finishis at its 1515th mention.

the Security Council. Megalling its previous relevant resolutions.

Consermed by the excious nutritional and health situation of the Irrep population, and by the tisk of a further deterioration in this situation.

Continued of the need as a temporary seasure to provide for the beamparted seasure to provide the temporary extensive seasure of the Tatti fragilation by Iraq of the beatlenne featurity Connail resolutions, including socially resolutions of 1 batti 1181, and 1181 the seasure seaton with requir to the problidions referred to the resolutions of problidions referred to its resolution (1189) of a August 1180, in

contined also of the used for equitable distribution of humanitarism relief to all segments of the trept population throughout the country,

parificating the commitment of all Hember States to the severalgely and territorial integrity of Iraq.

Acting under Chapter VII of the Charter of the Inited Bitions,

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(b) Payment of the full secunt of each purchase of track perchase and perchica products directly by the purchaser in the State concerned Libo the secune account to be satisfiabled by the Secretary-General for the purposes of this restriction.

1 (i) the immiration burkey, micricianding the productions of generacidal 7 (c) to the immiration of the products of paragraph 3 (d) to predict be independent of paragraph 4 to door, on predict be independent of paragraph 4 to door, on the paragraph 4 to door for the paragraph 8 (d) the paragraph 6 (d) the paragraph 8 (d) th

b. Indicate that paragraphs 1 and 2 of this resolution shall come tited forces of 0.1 Reteres Teachers The on the day offer the President of the consult has indicated the smeakers of the Consult that he has reported the major from the Secretary-General required in paragraph 13 halos, and shall remain force for an initial period of 140 days mains the Consult takes other rains action with regard to the provisions of resolution 61 (1980).

(s) learning desides to conduce a through review of all suppose of all suppose of the conduct of

Durther dations that the remaining paragraphs of this resolution shall come into forces forthwith;

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Fage 3

\*\*Reputation to secretary control to setablish an secret account for the purposes of this resolution, to appoint independent and searching policy accounts to said; it, and to keep the deversament of reeq fully informed,

4. Decides that the funds in the secret account thall he used to see the beneather and of the fract, population and for the following chira purpose, and fractal the secretary-densital to use the finds deposited in the secretary account.

[4] To finance the export to ired, is accordance with the proceedings of the Committee scalinghand by resolution 651 (1950) of medicine, bailth supplies for casessilal cirtian needs as referred to in puregraph 20 of resolution 657 (1951) prorided that:

[4] Each appar of ground is at the request of the Commission of Ingy (4) Integrated the case of the committee of the committee

(h) To complement, in view of the exceptional circumstences prevailing in the time downcreates assuringed helps, the distribution by the downcreant of time of good isported under this resolution, in order to ensure an equitable the control of beneathering while to all imageness of the irrap population the time control of beneather a wide of imageness of the irrap population that an expense delice the properties of the prop

(c) To transfer to Companention Yand the smes parentings of the funds deposited to the scrow scanne at the decided by the Commit in parentuph 2 of resolution 710 (1991) of 18 Angels 191,

(d) To meet the coate to the United Nations of the independent implestion square and the critical public accountants and the activities associated with implementation of this resolution;

(s) To what the current operating costs of the Special Commission, pending scheduler powent is not to so costs optimizing out the tasks subboriesd by section C of resolution (8) (1891).

(f) To meet any reasonable expenses, clabr than expenses payable is ired, which are determined by the Committee activities by resolution (f) 11990) to be directly related to the expert by ireq of percenteum and percenteum any products paradited under percenteum of the committee of the expert by ireq of percenteum and percenteum and extentions.

(g) To-make avenibals up to 10 million thirds factors dollars every 90 days from the funds dopenied in the sensor account for the payments earliesged under paragraph of or translation 78 (1987) of 2 October 1951;

Authorizes States to parmit, notwithstanding the provisions of paragraph 3 (c) of resolution 61 (1930):

(a) The support to Imag of the parts and equipment which are essential for the sais operation of the Effect-Tenurally pipalize system in Freq. mulyier to the priors approved by the Committee established by resolution 611 [1918] of each super contract.

(b) Activities directly mecessary for the exports suthorised under spheragraph (s) above, including fluencial transactions related thereto;

10. Bacidias that, since the costs of the exports and activities subborised under passymph is between two presented by passymph of a resolution of 11390) as eccumbane they persented to for state interest of 12890 as eccumbane of the these presentants in out of each second account the activities way, suppass of this remaining, and following approvidit in each test which the contract of this remaining and following approvidit in each test by the test of te

11. Beginstin the Restricts/General to report to the Connoil 96 days eiter the date of early title date of partracts 1 above and again pract to the so the facility life day period, on the basis of observation by butted matter to the personnal is rare, end on the basis of consultations with the documentant of them, whicher irre, has peared the againstant distribution of sediction; best implies, foodservatift, and materials and supplies for essential circleilant masses, idamed in accordance with paragraph 8 (s) show, including the bis reports and best best best adopted to the adequate of the reports of the reports and periodes and periodes to produce to produce the sam referred to it paragraph.

13. Encourage the constitues extendible by wachtering in (1989), is a close coordinate or the beauties coordinate or the constituent of the constituent of the constituent of the constituent of the constituent or the constituent of the consti

Mangariz the Secretary-Gameral to take the actions necessary to semrethe effective inplimentation of take resolution, subportises has to enter into resource are resoluted, subportises has to enter into Commit when the has done no!

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Security Council

is. affirm that the serror account astablished for the purposes of this resolution enjoys the privileges and immunities of the United Rations;

To have the monour to schair to you, and through you to the members security Conneil. The security Conneil, the test and the described of Undergrading constituted to implementating or securities and the Government of Iraq

LATTER DATES 10 MAY 1814 PROM THE EXCUSTANY-GRANGEL ADDRESS TO THE PRINCIPLE OF THE EXCUSTANY COUNCIL.

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# Menorandum of understanding batman the Secretariat of the Inlind Entland and the Government of Irac on the Amblementation of Recurity Council Tembusic 316 (1926)

### Senstal erordalona Section !

The purpose of this Memorandam of Understanding is to ensure the effective implementation of Security Council resolution see [1585] (herstanfour the Memorantical.

The Entribution Plan referred to in paragraph # (4) (41) of the Besclutton, which has to be approved by the Secretary-Secural of the United Battons, excellates an important element in the implementation of the manifecton.

Merikag is the present Memorradam should be construed as infringing upon the severedgary or territorial istangity of Ireq.

4. The provisions of the present Hemographus pertain strintly and exclusively to the higherentering of the higherentering or the higherentering of the higherent and the pertaint of the the arrangement provided for in the Memographus is an exceptional and temperary measure.

### Distribution Plan

1. The Government of Ireq undertains to effectively generates equitable distribution in the Freezing production in the companies of medicals, beatter equitable to the population between the constitute and explica for measuring of medical and the progression of the companies of

6. This end is docements of line shall program a little factor than described in detail the procedure is believed by the compress it may open or all the procedure as the believed by the compress it will be the procedure of the factories of the majories of trap shall be hand also considered with the behavior of the considered with the behavior of the consideration of the consideration

The part of the Education Flam values to the time northern behaviorables of child. Divisor and behaviorable shall be propriet in sociotions with house I, which constitutes on integral part of this featurable.

The Distribution Plan shall be submitted to the despetacy-denoral of the Dailed Bations for approval. If the Secretary-General is satisfied that the

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plan adequately ensures equitable distribution of humanitarian supplies to the Treet, population throughout the country, he will, no inform the deversement of Treet.

It is understood by the Parties to this Memorandes that the Security-General will not be in a position to support as required is paragraph 13 of the Association unless the plan propared by the Government of Iraq meets with his approvel.

10. Once the Secretary-General approves the plan, he will forward a copy of the categorised Little of the applies and goods, which committees a part of the plan, to the Security Council Committee setablished by resolution at: Little of Committee setablished by another at: the construction is also as the committee of the contract of the intention.

11. After the plan becomes operational, each burny to the present benoreaches may request to the either foot its consideration a modification to the plan if it hearingwas that such adjuncant would improve the equitable distribution of hearingstans amplites and that absency.

13. The directlery-descript, sitter conclusions that the describement of fraction directlery-described in the season described in the season described in the season described the prograph of the maintaint, no bands as a bands as "the third fraction described the terms of that seconds that the band will have the oversiment of any other facts account that the band will have the described the record. The seconds that the band will have the oversiment of the fact fully informed or his account that the band will have the oversiment of the second o

The Irest authorities might designate a semior bunking official to listee with the secretarist of the Daired Mations on all hamiting mattern relating to the "Irest abcount".

14. In scentificate with the Totack Nations Financial Sequilations, the "freq Account will be madded by the Section of Account. As provided for in the Sequilation, he heard of Additors will insue provided reports on the suits of the Account. But proports will be substited by the Security Totack Section. The proport will be substited by the Beard to the Secretary-General who will forward them to the Set Committee and to the Generalment of Ereq.

## Section IV

# sale of persolaum and petrolaum products originating in Iraq

14. Petroleam and potroleam products criditating in Eraq will be superced via the Attach "Parazitii in products criditating in Eraq will be superced via the Attach "Parazitii in pagestion through the superce attach." The Set Committee will manistrate be superce attach the Set Committee will manistrate the associated with the basistation. Througherentian costs is resolution to superced by an additional manner of a similar interest in the stack of the superced superced attached to the superced superced superced to the Set Committee to the Set Committee.

17. Back export of patroless and patroless products originating in Iraq shall be approved by the 641 Committee.

18. Detailed provisions consaming the sale of Iraqi patroless and patroless perchants are contained in Anna: II, which constitutes an integral part of this Pestradam.

19. The purphes of medicine, health supplies, foodingfor, one associates medicine, breather the companies of measurement the companies of measurement the companies of measurement of freely will fooliow measuremential practices and be not be healt of the relevant resolutions of the scale of the fooding the feet of the companies of the companies of the companies of the scale of the

The Coversment of Iraq will, except as provided for in paragraph 20, montrous directly with expellent to arrange the purchase of regulities, and will considus the opportate Controvals accompanies.

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23. As noted abow, the sti Consittes will take action on applications for the separe of pools to Ired, and accordance of the contract of the c

33. The arrival of woods in Iraq purchased under the plan will be confirmed by independent impression segment to be appointed by the Serretary-General. No Serretary-General. No Serretary-General with antiacticated confirmation than the amount of the concerned have arrived in Iraq.

14. The immegendent imagestion against may be stationed at relevant track entry presents of a few as or other Locations where the American as one is a perspect of the facility of the facilities to be performed. The number and Location of the committeeining points the facilities are be performed. The number and Location of the committeeining with the forestens of the committeein with the forestens after

27. The independent importion seemes will continu delivery to ireq of shipmate; Topy vill supervise decommendates, such as bills of the delivery to the very continue of the delivery to the seemed to

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33. As regards the seport to Iraq of parts and equipment which are assembled for the assembled by the sets operation of the Michigan Veneziality populate special to Trace the requests will be substitute to the sit of anothers by the commence of the regulator. Such requests will be considered for approval by the Committee accordant view in the precedures.

19. If the 661 Committee has approved a request in accordance with prangents by the provided and prangents by the provided and of prangents by the provided and prangents by the control payment applicant formula of 1 and as actual in paragents to of the Resolution, the proceeds of which me to be deposited in the "Irray of counts," the bank halding the Irray Acronor's will since an irray-variable latest of credit exhibating that payment can only be effected when of the Lies of Makitome Percentage the "Irray decomes," and an autificial and into the bank and the Lies of Makitome Recentage the "Irray decomes, and all the faited before the Bengelatian approves the payment.

The requirement of authenticitied confirmition of pritoni provided for in this Section shall apply Aim to the parts and equipment maniformed in paragraph 29.

### Section VI

# Distribution of humanitarian succides ourchased under the Distribution Flac

13. The distribution of humanization supplies that! he andertaken by the fortile of the supplies that is an endowable the thirtement of the state of the supplies that the description of the state of t

13. The distribution of humesization supplies in the three northern soverextees of AAAII, Include and missionally had all be undertaken by the Thirtod House interesting the supplies of AAAII and the AAAII of the Government of Ineq under the Statistication had with regard to the month of the Statistication had with a wind the regard to the newscriping and curricustal interesting the Statistication of the Statisti

### Rection VII

# Observation of the emitable distribution of Dommiterian sucoliss and determination of their administration

35. The objectives of the inited Baticas observation process shall be:

[a) to confirm elector the equitable distribution of humanization supplies to
the Ireq population throughout the country has been ensured;

[b) to essue, the effectiveness of the operation and determine the adequacy of to enal, the effectivement of the operation and detarmine the adequacy of the available cescurons to meet Iruq's humblistaries meeds.

## CHETRYATION PROCESSES.

In observing the equitohic distribution and its adequacy, United Besions: pressured will use, imsessible, the following procedures.

17. The observation of the equicability of food distribution will be based on independent obstant from the trady interesty of food distribution will be based on the continue from the frequent of the distribution weighted as the Daties Battess and its appointance of food ingestre, and on easing marroys conducted by Daties Matters distribution. The observation will also include the quantity and prices of food terms in the abstraction will also include the quantity and prices of food terms imported under the Baselution.

18. To provide regalar aughted elementation of the same presenting messée, a murrey statistical professional procession with the appropriate from a contraction with the appropriate frequence and asset as a basistic for the contraction described observation of matterial return of the application of the application with the fractions of the application of the application of the application of the application of the population of the profession of the statistic and the statistic of the application of the statistic of the history of mealth 600H and the relevant burst bring appearance of the statistic of the statist

3). Observation reparding distribution of medical supplies and equip focus on the medical distribution and entered prices and the medical distribution and entered prices. A distribution and plantamental facilities unupplies and equipment are stored. And description will take by all medical and description will call by the backs a stribution for the entered prices and an entered for the prices of the pr

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4.2. The indiced delicious observation activities will be coordinated by the Ingertation of theirs of their delicious bedgenerars in New Violestration will be undertabled by thirds factions precessed. The searce mass such personnel, will be deservabled by thirds factions precedual. The searce mass such personnel will be deservabled by the Indiced Nations taking into account precediant requirements. The documents of Ireq will be nominited in this engant.

43. The Irest authorities will provide to United Mations paramed the assistance arequired to facilitate the performes of Table Pantimes. United Mations personnal will constitute with the Irest compares authorities.

44. In view of the importance of the functions which United Rations personnal valls performed to the provisions of this medical management with the provisions of this medical management shall have, in commercial with the performance of their function of the function of the performance of their medical managements and their function of the medical management shall have, in commercial with the performance of their function of the formation of the medical with the performance of memorial commercial managements and the possibility to rake much operators as they find specified.

### Section XXII

## Privileges and Immunities

in order to facilitate the purceasful implementation of the Reselution the following provisions concerning privileges and immunities shall apply:

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where priceshy contracted services for the fatted factions in persons prices for the fatted factions of the persons of the priceshing securities of the priceshing securities for the persons of the pers ũ

46. In addition, officials, appets and other pursonal referred to its presents of the conficient of the property of these fact has been dead by the inspired emerging and the state of the set of the

44. Any issue relating to privileges and immunities, inclinating estays and protection of the United Nations and its personnal, not convent by the provisions of this Section shall be governed by paragraph is of the Resolution

449. The describing of the united Medican and the deventment of free shall, if importantly, belief committees as the objective the sout effective implementation of the present Memoraham.

:

11. Sweding its estry into force, the Hemonucka ahall be given by the United Marions and the Government of Ireq provisional effect.

SIGNED this job day of May 1996 at New York in two originals is Duglish. For the United Matisman 8973796 11145

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1. The first concerned or if the 601 Consittes so decides, the national perceives protected and the series of the consistency of the popular and perceives and perceives sometimes. So the proposes also of the first perceives and perceives products, for the proposes also of the first perceives and perceives products, the second of the consistency of the c

 Proorided all tawes and conditions of this latter of credit are compiled with, processed of this latter of credit will be irrevocably paid into the little Assessed with ..... book. Introcable confirmed latters of credit will be opened by the oil
purchaser's bank with the introcable understaint that the proceed of the
purchaser's what will be paid directly to the 'tred knoome'. For this put
the fallowing clauses will have to be inserted in each letter of credit;

.. All charges within Iraq are for the beneficiary's secount, whereas all charges outpids Iraq are to be borns by the purchaser."

1. All such latters of credit will have to he directed by the purchasor's hank to the hash balding the 'freq Account' wile the request that the latters adds its conditionation and forested at to the Control hank of King for the purpose of advising \$570.

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AD.080 (778 8/186/186 778 8/1896/186 8/1896/186 8/1898 8/1898 8/18

The United Mations will receive secting reports from 5000 on the actual volume and type of patrolems products exported under the relevant sales

(Element) Ambassador A. Jair AMARI.

...



MEMORANDUM

Date: May 8, 2003

To: Dominique Remy
Franc: Plann Veyres

Copy: Lhoofs Payon

Re: Chroniogy of ON For Food Program Banking Events

Pleases find attached here below a synopsis of events that were significant for BHP/BNP Purbses. June 3, 1996 Request for Proposal of this date sent to BNP. June 7, 1996 BMV response to RFP sent to LIN Tressury under competitive bioding procedure, June 18, 1996 Notification that BMV won the bid sent to Pierre Schmeider by LIN Controller.

Bept. 12, 1969. Agreement For Banking Services (JABS) signed by UN and BNP siter at weeks of negotiation. Vakd until short. 28, 1987, JABS, 1987, JABS, 49, 49, 1987, 1987, 1987, 1987, 1987, 1987, 1987, 1987, 1987, 1987, 1

Dec. 27, 1996 UN allows BNP to sall risk participations in confirmations of oil L/Cs opened by Turkish banks. Dec. 10, 1998 Phase I begins, first oil cargo loaded.

Feb. 14, 1997 First humanitarian L/C issued by BNP.

Jan. 17, 1997 Amendment no. 1 to ABS aigned changing authorized signatories.

Several amendments to ABS and renewal of several phases in between

Dec. 12, 1999 Phase VII begins. Extension to ASS agond by UN wan vasatity until Sept. 27, 2000.

Diversification of funds at benia selected by UN begins (Deutsche Bank, HypoVersinabank, BBVA, CAI). During 2000

June 9, 2000 Phase VIII begins.

Sept. 27, 2000 Extension to ABS signed by UN with validity und March 26, 2001.

Nay 30, 2002 Phasa XII begins.
October, 2002 Destache Benk kad finelized the documentation in order to start the issuance of humanitarian
Cotober, 2002 Destache Benk kad finelized the documentation in order to start of the Cotober to the Cotober Cotober

Feb. 23, 2002. Extension to ABS signed by LN with validity until Dec. 31, 2002. May 2002.

May 2002. BNP Paribas informed by the UN that the oil Ca will be spill on a property of the Unit of Ca will be spill on a party of the Unit of Ca will be spill on the Case of Case

Extension to ASS signed by UN with validity until Dec. 31, 2003.

Amendment no. 8 to ASS signed covering changes resulting from Resolution 1472 (and 1479), UN now assuming the role of the applicant, I.e. Ired buyers, for an interim period until June 3rd.

Dec. 5, 2002 F Apr. 2, 2002 Apr. 4, 2003

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Dec. 6, 2000 PP Jan 9, 2001 L Jan 16, 2001 L Jan 16, 2001 L Jan 16, 2001 L Mar. 28, 2001 R Mar. 27, 2001 R Mar. 28, 2001 Jan. 9, 2002 J	Phase IX begins.	Letter from the Permanent Representative of Insq to the UN Security Council raising some operational leause and insisting on a diversification of the banking activities	Letter from the intol Ministry of Foreign Affairs to the LN General Secretary slerifing him about serious operationsi Issues	Letter from the UN Under Secretary General to the Iraqi Minister of Foreign Affairs explaining the operations abusins and suggesting to treat to depty in NY a representative of CBI in order to	Extension to ABS signed by UN with validity until Sept. 24, 2001.	Request for Proposas of this date sent to BNPP for diversification of letter of crefit business and new pricing. Sent by Joseph Conner, Under-Becntezy-General, Department of Management.	RFP bid for diversification of letters of credit sent to UN with validity of June 30, 2001.	in Delween extensions of phase, amendment to our ABS, runewals of our bid under the RFP	Letter received from UN Procurement Division rejecting all proposate and inclosulog that the UN would entire tron prograted agreement stretchy with each of the invited bunks, the pricing to be machine their being the processor one submitted by BNP Peritaes in the 1 <sup>st</sup> round (meaning BNPP's pricing was likely the howest one).	RPP6-311 and RPP6-312 reparding diversification of bit and humanization betwee of credit sent to BNPP. Sent by UN Procurement Division.	RPPB tyte sent to UN with veladity of Jan. 31, 2002 (other clarification and re-edjustments by the UN of several points that were not properly addressed by the UN in its RPP).	Phase XI begins.	RFPB-350 for "test and that offer" reparting diversitionation of humanitarian LiCs sent to BNPP by LIX Processing Delation. It was stated that one of the interced recipients did not receive the adolesing RPPs-31.	Response to RFP6-330 sent to UN with a validity of April 23, 2002.	BNP Parbas informed (unofficially) that several banks short-listed for tha 1" round have either decided not to bid finally or have been not retained by the UN efter round 1 or 2.	Letter from UN regarding RFP6-511, 312 and 330 inclinating that the UN intends to acter into direct negotiates for exact of contracts for both Oil states of creat and Humanisation letters of Creat.	Several mentions between UN and CB in Registed regarding the banishing side of the Program, the temporal promo character accided by the UN as for the handing of discreptors documents presented for payment, notably expired LCs.
Dec. 6, 2000 Dec. 18, 2000 Jan 18, 200 Jan 18, 200 Mar. 25, 200 Mar. 30, 200 Mar. 30, 200 Dec. 1, 200 Jan. 9, 200 Jan. 9, 200 Jan. 22, 20 Jan. 20, 20	-		-	-				extensions							S SS		Sevi
	Dec. 6, 2000	Dec 18 2000	Jan 9, 2001	Jen 18, 200	Mar. 25, 200	Mar. 30, 20	Apr. 27, 200	in between	04.26,20	Nov. 16, 26	Nov. 29, 20	Dec. 1, 200	Jen. 9, 200	Jan. 22, 24	Jan 2002	Feb. 6, 20	Feb 2002

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## OF Paribus and the UN Oil for Food

# 1) How was BNP selected by the United Nations 2.

Readidon (bit of the LIV Seasify) Council gave the responsibility of establishing an earow-account to the Secretary-Character but the LIV. The Seasifiery-Character was to asked an international bank and anocate that is from the country to the second variety to be selected to the second to the Secretarian of the such as the Secretarian of the LIV. But the sub the Characterian of limit,

According to the Secretary-General's sport, dated November 25, 1980, the selection process for the holder of the secretary-General's team of the preparation of wholder all or the press has been been with with the necessary rates quality rating, away capital posters, and the openings to provide the services recovery of the source. After containing with the debtors, and the openings has driven break were second in the 1980 of a fixed service of the properties of the team to those break were second in American and the American and the American and the American the properties of the properties of the American and the American and the American because of the properties that According to the UA, drift A bento medicines to handle

In 1998. The Secretary-Caneral reported "fathe caneral consideration of the proposals insalted."
Bengue institutes de Pales, and selected as the related of the serve excords, and the seccurity visit advantage institutional institution institution

Alan six wests of negolations, on Sestember 12, 1988, an agreement for benking services for the Citfor-Food Program was eigned by the U.N. and SNP.

it should be robed that the U.N. has repateadly confirmed that the selection of BNP was based on a compatitive belong process (See Shorn V. Sevan, Esso. Dr. OH-For-Food Program, OH-For-Food, the U.N. VX. Times, Acr. 53, 2000).

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indepandent at that time and until 2000 when BMP and Patitae marged, after an abording proposed marger in 1889 between Parliae and Société Générale, Currettly, Mr. Aucht has no Innoteervant In 1887 Parliaes often time an inferiod peasive Investment in lesse than one-half of one percent of the bant's outstanding stock.

The roke of BAP Partizes consists safety of delivering beneining services to the UM General Securetry!

Secure of the Comment, is been the benefit of the Comment of the Co

In practice, spokodions for suport of goods in two under SC Resolution 668, for which payment is to be made from the Lettle Makes for spokodic 4 as utilization for the UN Office of itsig Programms (CVIII) by inswerd believes the second and a supplement in the UN Office of itsig Programms (CVIII) seems and this openion. In confidence we are well-second in the CVIII of the second in the confidence will be application in the confidence will be applied to the confidence will be applied to the second for this programm in the Manner Second In the CVIII of the second confidence in the confidence of the Second Second CVIII of the CVIII of the Second CVIII of the CVIII of the Second CVIII of the confidence of the Second CVIII of the confidence of the Second CVIII of the contracts is under the second confidence of the Second CVIII of the contracts is under the second confidence of the Second CVIII of the contracts is under the second confidence of the Second CVIII of the contracts is under the second confidence of the Second CVIII of the contracts is under the second confidence of the Second CVIII of of the

Once all the U.M. properence is completed the Controll Based of text requests the insulance of the L.C.
which is processed by Base Packes, costs the Life Speak of the West Speak of the Sp

## O The management of the Callor Food funds

Bill-Paulise has no contror over frow money is spent under the Old-to-Food Program. As explained above, Bill-Paulise neither approve the supplies being punchased, not the list of suppliers, nor the controls therewhere. In condition, Bill-Paulise has no involvement in instancing the residential between the suppliers and inso, not between the buyers and the SQMA. Os the diseasions of the function when incoming of outgoing, is at the sole describing of the UNI carests is decreased.

Socially Council nomines. Bit is not inspected for continuous particular and social continuous and present each parameter but it is account of the accou

BMP Paribae is not the only bank holding funds for the United Nations OH-for-Food Program; banks also holds these funds, particularly Chase sitns integion.

Other beride have been involved in holding Old for-Food furthe from the outset of the Program. Afforcy, 100% of the process from the second of the Process (190% of the process) (190% of the term in the interest in the process) (190% of the term in the process) (190% of the term in the term in the process) (190% of the term in the term in

Not knowing the Ma capacity of the Program, it made serves in the bapprinting to limit the investment to SNS (pack on the humble before the server of the se

In Meero, 2017 (p. N.M. Instance). Required for Proposal for the Instances of LOs, in last 2002 the last last of the surface of these REPs for surface for the Debodole Meero. The coveral convention of LOs and instances. The Meero of the Section of the Company of the Company of the Company of Los and Los Anders are always to develop have the U.N. Intended (10 °C). As a small, even though the U.N. made an always to develop the endine Okker-food Program, the suppy (C business remains with REP Praities.

in praction. UN gives instructions to BNP Perchas to invest every printy in the account, the UN benchmarking on a slight base BNP make these with its other beliefs (noteby). Chass and CSPB), At illustres servind is instructed in the Unit to burd to purchase humanifestin supplies, as publicy diseased to by Will. Servin Severy Execution Director of the Oktofe-Food Program (Fox New Charmal, Apr. 28, 2004).

DV Objer Food

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UN Objer Food

A End Blinter and Under on the Benker Side
of the United Nations Off Review Side

Find it the historical prochement of the houts in the United Nations Coll for Food Processal.

The INI coll for food Program was entellished by the UN to 1996, it was established on of the desire on address the surfaces of the help people suitable than the the surfaces that we reproduce the collection of the collecti

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In lass 2000, when the Insig poverment agreed with the UN to swinds from USD to SUR for the cell sales, it was the indeeded size the to-control of the 1959 secrece overal fixed the censor of the answers model to score contracting linearization inters of cardio flooded to diversified. Denote Bulk, Hypoversimate, Block, and Corella (publicles have particulated over time to 8159% side of this "Program. The 15% account remained with Philosophilmes since the incopping of the Program. All in all, RNPP hald over time, between 50% and 50% of the total fluids managed by the UN water the Program.

in terms of cathemangement, the beat has indeed bean is competition with top players in the index. In IVI has becausefund on minerate non-constantly and then anderleavement decisions. The interest parents of the deposition of the serors account have been re-derwated by the UN in the OF fracts. Frength Emispant measuring ware also concluded at the discretion of the UN (the oil revenues were its TUS strong the section of the UN (the oil revenues were its TUS strong the section of the total constant of the Oil white it large portion of the Oil copasses were UND-beach, RMP Perips toking one of the beats desting FX with the UN.

Subsequently the UN Treastry Department learnched a Request for Proposal early 2001 in order to competitive the documentury part of the Propaga. In Acid 1000, date these reconsists remain of competition, for beath (GFR), Densche, 1894, and 2019) were finally selected for the competition, for the OEF Propaga. 2019 being the State Middle and "Withinly" residend for approximantly part of the OEF Propaga. 2019 being the State of the S

> In shart, sadar a computitive bioliding process cognitised by the UN BMP was selected by the UN in 1996 to handle the documentary transcoctions brooking free under Off. During the Program, a large part of the Off fluids was held by other banks.

# Thich measures were implemented in order to control the Program?

As a general commun, all actions by BNPP truck place within a flumework designed by the UN Convent Secretain contention of the Security Council and formalized wis the bunking content bleshing the And BNPP.

In addition to the fact that the book, as is usual in the muck business, was not party to the communical supports to between Line and also commonweals and exceeding the commonweals to the COR Program was rightly controlled on the banking stake, belong the suggest such COR Supports are tightly controlled on the banking stake, belong the suggest such combinements banking process set up by the UN has been a consistent complete over time from traders and expected from all over the world, the bank being under the spotlight due to the application of these rules designed by the UN.

As mentioned above, all transactions were governed by UCP 500 documentary rules but there were also some sofar requirements:

- i) the price of the oil was embilished by the UN Senctions Commission in NY after recommensation from UN Givenerur, tills was send in a formal approved, on the ground, the titling of the oil was controlled by Seybolt (to independent outputs), will know appointed by Seybolt (to independent binary of some in the industry, which was appointed by Seybolt (to independent binary as of footnesses presented by an exporter of groot industry, which had to increase a confidence are severities sening volumes and greate modely. We have the two specifies documents.
  iii) may set of footnesses presented by an exporter of groot for payment had to include two opicifies documents.
  a Confirmation of Aerical larend by the IN on the hand of an imposition report upon the delivery of the groots are the lines better of a imposition of company appointed by the UN (N for the larend of an imposition of many to sentile the sentile by the IN of the conce caught end ground a semple

Finally, all decisions in turns of cash-management were made by the UN Tressury Depart

From a US regulatory standpoint, all Off measochoss were sovered through the Office for Foreign Asses Control filter (OFAC).

> To memorize, the hombing side of the Off'war inclosed from the contract hypotication and dispressed presses and was war surising designed by the UR, mostaly due to some oblitional clocks on the ground. It placed at its enters the UR Treasury Department, which the destinements overall and on a duity boats, this being to addition its, the unned US tight regulatory context.

## The commitment of BNP Parties NY

Up smil 1000, the twent had dedicated some Prost-Office and Reck-Office resources to the OOF Program. Science, 8 Modernig a suit 2000 (from 7,000 measuring per year is 1959 up to 25,000 in 2000), the bush measuring recognized and invested in order to neet the challenge were namegers, additional souf (from 2) up to 90 in 12 nonthia, and 17 symmer.

This allowed the best to deliver a good quality of service to exporters and to the UN. In periodar, the commissioned of the best were to quick instructed of tressections, a crossis point for all palyers. Mannership the basis expanded their Centrones Service Unit, up to 14 employees, in order to handle impairies from exporters. This has been appreciated in the marks.

Over the last seven years, under the OAP Program, BNPP has overall enjoyed a rotatively good retainingly with the UN. In clear. This was ablanched upon the the volunciation of the Program which as times left the beats in the middle among politicid and commercial players with divergent interests, in addition, the complexity of the UN expanisation has to be taken into secount.

There were some frictions at times, notably in 2000 for various reasons. Since these, the relationship with the UN test in decision-maken her is ignificately improved, to UN superceitaing the tigh level of service we have consistently delivered to them. And all this in a contact of high volumes.

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BHGA-002-0059 CONFIDENTIAL

A challenging but overall good relationship with the UN.

# Current allustion of the Oil for Food Program and its impossing enolation

The OLP Program was officially terminated on November 21, 2003. Though he deadline has passed, the Program was officially terminated on November 21, 2003. Though the Cabiton Provisional hashering (CPA). At the set has been it is concerned, it has confirmed to been and sensed hammelinities for CPA terminated professional sense and sensed the manifering or CPA terminated on the professional sense and sense and terminated of the UPA dead of CPA sent has sent intelly Ministeria in order to meet the upper sended of the Imp population. On the other side, the arriving on the oil support side caseed right after the ware is April.

The lavel of cash in the UN-a account with BNP measures to \$6.12m or Unstall the collection of cash in the UN-a account with BNP measures of collection lavel \$5.50m or University for the \$7.50m or University for Universit

Currently and until those LC's are fully drawn, the experient will continue to ship profes to line; in order accessed the best particular description controls accessed to the related LC's. The preceds anticulated for the particular description are operational standards—exactly the way for an extra effective access to the way from an operational standards—exactly the way for an extra effective accessed in Table 180, 180, and CA, the Table 280, and the total control of the way for the way for the way for the total control of the way for the w

## Recent Fed rements for Information

The New York Fed has recently nequested specific information relating to the Oil for Food Programs and we as in the process of compiling with those requests.

b is conclusion, RNP Perion has brought a positive and decident countriation to the benefit of all of the OPP Program. The commitment and his profit inserts of the able from height the present of the three to make the present of the past warrange particularly in the optimization of the past werrange periodically in the difficult post-section of the just of the past of the past werrange of the past of the pas

Pierre VEYRES

BNP PARIBAS

### Þ o z 4 M E S

Date: May 7, 2003

From: Eva Miles Russo

Chronology of Oil For Food Program Banking Events

Under the United Nations Office of the Imq Programme websile (www.un.orp/deptaclop/background/deron.html) is a International of the Olf-Food Program Exemit. In addition to that chronology, below is a synopase of wents that were significant to BeVFood Perions.

Junn 3, 1999 Requests for Procease of this date sent to BNP.

Junn 3, 1999 Requests for Procease of this date sent to BNP.

Junn 1, 1999 Reducests for Procease of the Per and to M. Tracaray under competitive bidding procedure.

Junn 16, 1999 Notification and BNP whom the Mel sent to Planze Schnieder by UN Compition.

Sept. 12, 1999 Notification and BNP who is the Mel sent to Planze Schnieder by UN Compition.

Dec. 21, 1990 Notification and BNP who is the Mel sent to Planze Schnieder by UN Compition.

Dec. 21, 1990 Notification and Schnieder BNP with the Mel Web With the W

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Dec. 8, 2000 Mar. 26, 2001 Mar. 30, 2001	Apr. 27, 2001 June 28, 2001 July 4, 2001 July 31, 2001 Aug. 31, 2001 Sept. 24, 2001 Sept. 28, 2001	Oct. 26, 2001 Nov. 16, 2001 Nov. 29, 2001 Dec. 1, 2001 Jan. 9, 2002	Jan. 22, 2002 Fab. 6, 2002 Feb. 25, 2002 May 30, 2002 Den. 8, 2002 Apr. 2, 2002 Apr. 4, 2003

In light of rocess senj-Prench sentiment setsing from the loop strenking sed as unflaturing sed in NBC storp to RNP Purities and fu role in the LIN OJ for Food Program, we have programed the distormant which may be used for employee inquiries and conversations with concerned climes.

D BNP Paribas employs over 10,000 people in the U.S.

BNP Paribas growines to broad mage of fastecial products and services to a significant sunsher of US conpensations, facularing some of the largue and most profulshed US componitions. By design as, BNP Paribas provides financing and other support to the US exposury.

SNP Parities is a publicly tracked company operating in the private sector whose shareholders reside is formione arross the globs.

UN ON For Food Program

O The Under Motion for Pood Program is an established humandarien sid program for the lang-people created by the unsafers as the of the UN Scientify Constall for the unsafers as after the United States, one of the Fort Permanent sendicing.

DR-P Publiss was chosen by the LIV to provide bushing services for the Cil for Food Program through
 4 compositive Meding process. There are several cube trains involved is the Program.
 DR-P Publiss' providention in the United Nations Cil for Pood Program was amborisad by the US Coverances. (If wided - through the US Department of Through Office of Founds Assets Control OPA.).

QP-AC.

O The United Nations approves and encellent sary and all purchases much for humanizations of for the people of lang under the Oil for Food Program.

O If saided 1909 Purchar role is timized to providing feasonist services to its client, the United Nations, and has so not in the stickling, approves or discludings of the products or goods that are delivered to link under the Program.

O Today (CAZONCI), the US has retained the enchromment of the UN Culture Food Program as a measure provide hemonistrains relied to the Iraq people.

O For further information on the UN Cit For Food Program, please visit the UN's website at: http://www.un.cap/Depts/cip/nex/ground/faze/ebses/faire

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WA.153999.1

Mr. Shays. Mr. Boks.

Mr. Boks. Mr. Chairman and distinguished members of the subcommittee, my name is Peter Boks. I am an executive of Saybolt International which is headquartered in The Netherlands, just outside of Rotterdam. Thank you for inviting me to discuss with the subcommittee today the role of Saybolt International in the administration of the United Nations Oil-for-Food Program. Having submitted a more complete statement for the record, I will discuss my brief oral remarks on our principal responsibilities; namely, the monitoring of oil exports under the Oil-for-Food Program.

Mr. Chairman, please bear with me that English is not my native language. So excuse me if things are unclear.

Mr. Shays. Let me assure you that we hear you very well, and

we appreciate you are speaking in English.

Mr. Boks. Thank you. Saybolt won its contract with the United Nations in 1996 through a competitive bid process. Under that contract and multiple extensions, Saybolt deployed teams of inspectors selected on the basis of their prior experience in the industry. Oil inspectors were screened by Saybolt, approved by the United Nations, trained and briefed for this assignment and required to certify compliance with Saybolt's code of conduct.

Under its contract with the United Nations, Saybolt's responsibility was to monitor the quality and quantity of oil exports from the two authorized Oil-for-Food export points, the offshore platform in Al-Bakr and the port of Ceyhan in Turkey, along with the remote monitoring station on the Iraq-Turkey pipeline near Zakho, close to

the northern border with Turkey.

The monitoring procedures follow: First, the United Nations oil overseers would review and approve contracts and letters of credit negotiated between the Iraqi oil company SOMO and the buyers of Iraqi oil. Coordinating through a common data base shared by Saybolt and the United Nations, Saybolt would monitor the quantity and quality of oil, pursuant to the approved contracts at the two authorized export points and report confirming figures to the United Nations.

Also important were the limits of Saybolt's responsibilities. Saybolt had no responsibility, for example, with respect to the underlying contracts which were negotiated directly between the seller and buyer and reviewed by the United Nations. Saybolt had no control over the moneys that were involved in the underlying transactions—that was a matter for the sellers, buyers, and the

United Nations—nor did Saybolt itself buy or sell Iraqi oil.

Finally, from time to time, we reported irregularities that we observed to the United Nations or the Multilateral Interception Force. Saybolt had no responsibility for monitoring oil exports from any locations other than the three locations specified in its contract. In performing their responsibilities, Saybolt inspectors typically operated in remote locations in inhospitable work environments. Some days, for example, the isolated Mina Al-Bakr platform was without electricity or water and sometimes during heat that exceeded 110 degrees. U.N. audits and reports confirmed the harsh working conditions and risk to personal safety. The entire program was also characterized by highly charged, political interests and sensitivities.

The simultaneous operation of the humanitarian Oil-for-Food Program and a comprehensive U.N.-imposed sanctions regime created a variety of practical and logistical complications affecting everything from obtaining visas to paying for basic necessities.

The job of monitoring authorized oil exports was also made more challenging by the poor state of the oil industry infrastructure and the deficiencies in equipment and technology in Iraq. Even before the program began, Saybolt informed the United Nations of problems with the metering equipment at each of the three sites. At Mina Al-Bakr, the Iraqi failure to install, repair, or calibrate metering equipment meant there were no counterpart measurements to cross-check against ship measurements at the point of loading on the Mina Al-Bakr platform.

In the absence of calibrated metering equipment, Saybolt used the best alternative techniques accepted and widely used in the industry. Specifically, in the absence of metering, inspectors relied on calibration charts, vessel experience factors, and shipboard measurements to determine the quantity of oil loaded onto vessels, a

methodology that the United Nations expressly accepted.

Monitoring loadings without access to reliable meters is accepted industry practice but is less accurate than metering at loading points. Although falsification of calibration charts and VEF data is rarely an issue, the possibility exists. To avoid such a problem, Saybolt originally recommended that the volume of oil be measured at the foreign point offloadings, as well as at the loading points of Mina Al-Bakr and Ceyhan. For whatever reasons, his recommenda-

tion was not adopted.

In January 1999 following discussions with the United Nations, Saybolt began requiring that each master sign a statement certifying the accuracy of the records provided to Saybolt. The United Nations was informed of this procedure and supported its recommendation. Over 7 years, Saybolt inspectors monitored more than 2,600 loadings involving a total of approximately 3.4 billion barrels of crude oil. Over that period of time, very few irregularities occurred. Two instances of loading excess quantities of oil, the unauthorized topping off, occurred in 2001, both involving the same vessel, the same vessel charter. Saybolt promptly investigated these incidents, made written and personal reports to the United Nations, and put in place additional safeguards to prevent any similar abuses in the future. Thereafter, Saybolt encountered no recurrences of the incidents experienced in 2001.

Looking back on the program and the variety of challenges it faced, we can now identify the ways that the monitoring of oil exports under the Oil-for-Food Program might have been strengthened. These include requiring accurate metering equipment, the continued presence of at least one U.N. official at each loading location, incorporating from the outset various safeguards that Saybolt developed during the course of the program, and monitoring mechanisms for detecting unauthorized exports from other than the two U.N.-approved export points. More broadly, it now appears in hind-sight that the ability for Iraq to contract directly with buyers of oil and sellers of goods introduced a significant opportunity for abuse. And to the extent that the member states of the United Nations disregarded or systematically violated the U.N. embargo against

Iraq, that conduct obviously undercut fundamentally the objectives of the Oil-for-Food Program which was conceived to be an exception

of the Oil-for-Food Program which was conceived to be an exception to the embargo.

Saybolt and its professionals performed a difficult job under very difficult circumstances in Iraq. While not without blemishes, the monitoring of oil was done professionally over an extended period of time. I am happy to discuss that project with you today and to help extract from their experience any lessons which may be of value in conducting humanitarian programs in the future.

Mr. Shays. Thank you, Mr. Boks.

[The prepared statement of Mr. Boks follows:]

### Testimony of Peter W. Q. Managing Director, Saybolt International B.V. Before the House Committee on Government Reform Subcommittee on National Security, Emerging Threats, and International Relations October 5, 2004

Mr. Chairman, distinguished members of the Subcommittee,

Thank you for inviting me to speak before the Subcommittee today on the role of Saybolt International B.V. ("Saybolt") in the administration of the United Nations Oil-for-Food Program ("the Program") that operated in Iraq between 1996 and 2003. As a senior executive and manager of Saybolt, now and during that time, I am familiar with our role in the Program, which included monitoring the export of oil from specified locations in Iraq and, to a lesser extent, monitoring spare parts and equipment imported into Iraq for use in the oil industry. In addition, Saybolt coordinated studies that oil industry experts conducted on Iraqi oil production and infrastructure.

I will focus my remarks on the areas that your invitation asked me to address. The first area is Saybolt's contracts with the United Nations. I will discuss how Saybolt won the contracts, the scope of the contracts, and how they compare with other contracts into which Saybolt typically enters. The second area is the legal, ethical, and due diligence procedures that Saybolt followed. The third area is the challenges that Saybolt faced in carrying out contractual obligations. I will discuss those challenges, and how both Saybolt and the United Nations addressed them. Finally, I will discuss what steps could have been taken, in my opinion, to make the Program as a whole more effective at preventing manipulation by the Iraqi government.

### I. BACKGROUND ON SAYBOLT'S CONTRACTS WITH THE UNITED NATIONS

How Saybolt Won the Oil-for-Food Contract

Saybolt was selected as the independent oil inspection agent of the United Nations through a competitive bid process that was initiated by a request-for-proposal ("RFP"). The sixth paragraph of U.N. Security Council Resolution 986 (1995) directed the U.N. Secretary General to appoint agents to assist the Committee established by U.N. Security Council Resolution 661 (the "661 Committee") with the task of monitoring the quantity and quality of exports of Iraqi oil under the U.N. Oil-for-Food Program. Pursuant to that authority, on June 11, 1996, the Commodity Procurement Section of the U.N. Procurement and Transportation Division issued a RFP, which included a request for provision of independent oil inspection agents.

We viewed the U.N. RFP as a good business opportunity to apply our almost 100 years of experience in inspection and analytical testing of petroleum products to a prestigious international project. We were also pleased that we would be contributing our know-how to a major program designed to serve the urgent humanitarian needs of the Iraqi people. Accordingly, on June 17, 1996, we submitted our Proposal to provide oil export inspection services. After some discussion of our proposal and a preliminary fact-finding mission, on November 29, 1996, Saybolt and the United Nations entered into a contract (the "First Contract" or "1996 Contract") with an initial term of six months, subject to extensions of six-months each, at the sole discretion of the United Nations.

After the First Contract was extended for a total of slightly more than three years, another RFP process was initiated. In that process, we submitted our Proposal on February 11, 2000, and on May 29, 2000, the United Nations formally accepted that proposal and entered into a new contract with Saybolt that governed Phases VII through XIII of the Program (the "Second Contract" or "2000 Contract").

Unique Features of the Oil-for-Food Contract

The contract under which Saybolt provided inspection services to the United Nations was in many respects a standard commercial contract, with a few notable differences.

First, our role was substantially different than the role we play in most of our commercial contracts. It is standard industry practice, and common practice for Saybolt, to be retained jointly by both buyers and sellers of oil. In this instance, however, we acted as independent inspectors verifying the quantity and quality of oil on behalf of a third party. Though we acted as monitors for the United Nations, I should point out that we were never involved in the transfers of funds related to oil purchased in the Program.

Second, there were significantly more third parties that had institutional or political interests or sensitivities in the performance of our contract with the United Nations than we encounter in other transactions. We were monitored and reviewed by the U.N. Security Council, other organs of the United Nations, and U.N. member states, most notably Iraq. As a result, the professionalism of our inspectors was particularly important to the performance of our duties.

Third, the negotiation process for this contract was different than what we encounter in other contexts. Saybolt typically negotiates the specific terms of contracts with clients. However, in this instance, the terms of the contract were dictated by the United Nations. Because of the importance of the project and our desire to ease the humanitarian crisis in Iraq, we were willing to agree to the terms specified by the U.N.

The Role of Saybolt in the Oil-for-Food Program

Saybolt performed two functions in the Program. First, Saybolt acted as a monitor. This monitoring role initially applied only to exports of crude oil from two export points authorized under the Program. Our monitoring responsibilities were later extended to include monitoring of imports of oil industry spare parts. Second, Saybolt coordinated three studies of the Iraqi oil industry by a group of experts called for under resolutions of the U.N. Security Council. Saybolt carried out each of these activities pursuant to contracts with the Untied Nations.

Saybolt was responsible for monitoring the quantity and quality of Iraqi crude oil loaded onto vessels from the Mina Al-Bakr offshore terminal in southern Iraq and from the port of Ceyhan in Turkey. These two locations were the only locations where Saybolt was asked to monitor the export of Iraqi oil to buyers, and they were the only authorized ports for export of oil under the Program. Saybolt was also responsible for monitoring the flow of oil new Zakho, along the Iraq-Turkey pipeline by which Iraqi oil was delivered to the Ceyhan port. Saybolt

began monitoring in 1996, after it received a Request to Commence Mobilization from the United Nations dated November 29, 1996.

Almost a year-and-a-half after Saybolt began monitoring oil exports from these locations, the United Nations awarded Saybolt a contract for additional inspection work related to the Program. Saybolt was asked to submit a proposal to monitor the storage, delivery, and utilization of spare parts that Iraq began to import for the purpose of maintaining and developing the Iraqi oil industry. Saybolt's proposal was accepted in a June 1998 amendment to the First Contract

Beginning in 1998, Saybolt also coordinated the preparation of expert reports on the Iraqi oil industry called for by U.N. Security Council resolutions. The United Nations hired Saybolt to coordinate a study by a group of experts under U.N. Security Council Resolution 1153 (1998). The purpose of this study was to assess Iraqi oil production and transportation capacity, and necessary monitoring. In 2000, Saybolt was hired to coordinate another group of experts study, as called for under U.N. Security Council Resolution 1284 (1999). The purpose of this study was to review plans to import spare parts and equipment for the Iraqi oil industry, and their possible impact on production of Iraqi oil. In 2001, Saybolt was hired a third time to coordinate a study of the Iraqi oil industry by a group of experts under U.N. Security Council Resolution 1330 (2000). The purpose of this study was to evaluate in further detail proposed expenditures on equipment and spare parts for the Iraqi oil industry.

In 2003, following the overthrow of Saddam Hussein, the oil monitoring program ended. At that point, Saybolt had acted as the United Nations monitor for almost seven years, and had monitored more than 2600 loadings totaling approximately 3.4 billion barrels of oil over the life of the Program. As the program was being dismantled, the Second Contract was partially suspended on April 17, 2003, and was formally terminated by the United Nations on June 4, 2003.

### II. DUE DILIGENCE PROCEDURES FOLLOWED BY SAYBOLT

Saybolt instituted several procedures to ensure fulfillment of our contract with the United Nations. These include the screening of inspectors, the sharing of information in real time with the United Nations, and ongoing internal monitoring of Saybolt operations in Iraq.

Employee Screening and Training

Saybolt inspectors were experienced in monitoring, and they received training designed to assist them in carrying out their duties as inspectors for the United Nations. As required by contract, individuals nominated to work as inspectors for Saybolt were approved by the United Nations. The United Nations reviewed their credentials. Before being deployed, the inspectors received extensive briefings in Rotterdam. They received comprehensive materials detailing their responsibilities. In addition, each member of Saybolt's team in the Program was required to certify that he had read and understood Saybolt's code of conduct.

Databases to Share Information with United Nations

Throughout the Program, Saybolt, like the United Nations, utilized a commercially-available electronic online database to ensure that each vessel loading was supported by a contract and a letter of credit that were approved by the Oil Overseers of the United Nations. Through this database, we provided information to the United Nations regarding each loading on a real-time basis.

On-site Monitoring by Saybolt Management

Our office in Rotterdam communicated directly with the team members stationed in Iraq and Turkey, as well as with the United Nations, on a daily basis. Through the database, our office in Rotterdam could ensure that actions taken in the field conformed to the terms of the contracts and letters of credit approved by the U.N. Overseers. There was an overall project coordinator located in our office in Rotterdam who carefully reviewed each contract and letter of credit approved by the U.N., and he instructed the inspectors as to which loadings were authorized and for what amount.

On several occasions, the Saybolt contract administrator in Rotterdam made visits to Iraq to coordinate and monitor the inspection activities. He made visits to the Ceyhan operation and later, as the Team Leader on three projects in 1998, 2000, and 2001, visited all Saybolt operations in Iraq. As the volume of oil export operations increased, and Saybolt began monitoring imports of spare parts, Saybolt also appointed a country manager, based in Baghdad, to oversee both the oil and spare parts monitoring operations. This manager routinely visited Saybolt operations at Zakho in the north of Iraq and the Saybolt operations at Mina Al-Bakr.

### III. ADDRESSING CHALLENGES SAYBOLT FACED IN IRAQ

Facing Operational Difficulties Within Iraq

In performing their duties, Saybolt inspectors were often subjected to personal risks. Nearby military operations and violent attacks were not uncommon. As we have all seen in news reports from that time, Iraq did not always welcome the United Nations or its contractors. Iraq initially resisted the very idea of an Oil-for-Food Program. This political friction between Iraq and the outside world made our task especially delicate, because we were associated with the United Nations in the eyes of Iraqis. Coping with these physically and mentally challenging working conditions required courage and professionalism on the part of inspectors.

Difficult living conditions in Iraq often made performing daily tasks quite a challenge. The state of the Iraqi infrastructure was far worse than even we expected from our preliminary fact-finding missions. At the isolated, remote locations where our inspectors carried out their mission, it was often difficult to achieve the basic necessities -- food, electricity, water, transportation, and housing. Telecommunications equipment was primitive. Some days, we had neither electricity nor water at the Mina Al-Bakr terminal. The harsh conditions in Iraq were noted in the reports to the United Nations and were confirmed by a United Nations Iraq-Kuwait Observation Mission ("UNIKOM") safety audit of the Mina Al-Bakr operations in April 1999. On some occasions, our inspectors at Mina Al-Bakr were stranded at the terminal without

electricity and without water. Mina Al-Bakr also had frequent air conditioning outages, leaving inspectors exposed to heat that sometimes reached 130 degrees for long periods at a time. Because of the high cost of placing telephone calls from Iraq, communications between our inspectors and their families were limited.

On the subject of difficulties we encountered in Iraq, I should note that we also struggled to arrange reliable, affordable transportation to and from the Mina Al-Bakr terminal, as we were dependent on aged transportation vessels to go to and from that terminal. Standard tasks became complex because we were operating in an environment subject to multilateral sanctions. It was not a simple process to obtain travel visas for our personnel going into Iraq, to clear our equipment through customs without unreasonable delay, to provide transportation within Iraq, or to arrange the means for our employees to pay for their basic living expenses while in Iraq.

Development of Method to Calculate Loading Quantities In Absence of Reliable Meters

The poor state of the Iraqi infrastructure not only impacted our employees, but it impacted our monitoring methods. As explained above, Saybolt's principal responsibility was to monitor the quality and quantity of oil loaded onto vessels at Mina Al-Bakr and Ceyhan. From the very beginning of the Program, Saybolt encountered difficulties in persuading the Iraqis to install and repair metering equipment at the Ceyhan and Mina Al-Bakr sites. When we arrived in Iraq, neither location had metering equipment calibrated to accurately measure how much oil was loaded onto the vessels. We informed the United Nations of this problem even before the Program began through our preliminary fact-finding report.

In the absence of metering equipment, Saybolt applied the best alternative method. This method, which is commonly used within the industry, used the capacity and calibration charts of the vessel in order to determine how much oil was loaded into the vessel. To determine how much oil was loaded onto a vessel, a Saybolt inspector would, prior to loading, measure the onboard quantity ("OBQ") of the vessel. Then, after loading, Saybolt would measure the ullage (the amount by which the vessel tank falls short of being full) and the temperature of the oil. Saybolt inspectors compared this data with the calibration tables to determine how much oil had been loaded onto the vessel.

The vessel calibration charts, however, sometimes were not accurate. For example, if a vessel hull had been scraped and dented inwards, the overall capacity of the vessel would be reduced. Repairs to the vessel could likewise change the overall capacity of the vessel. In addition, vessels sometimes accumulate residue from previous loadings, which changes the capacity of the vessel. Each vessel keeps a record of the variances from its calibration tables, when compared with the volume measured when the oil was offloaded. This record becomes the "vessel experience factor" ("VEF"). The VEF for a vessel is based on the average comparison between ship measurement and shore measurement for the last 10 voyages. The use of a vessel calibration chart and the VEF is an internationally recognized method for determining the quantity of oil loaded onto a vessel in the absence of calibrated shore tanks and/or meters. We followed the procedures set forth by the American Petroleum Institute and the Institute of Petroleum.

A weakness in using the calibration tables and the VEF of a vessel is that inspectors must rely on the records provided by the master of each vessel. Such records could possibly be manipulated without the knowledge of the inspectors.

At Ceyhan, any significant manipulation of the system was detectable because of the ability to compare the shore-tank measurement with the amount of oil reportedly loaded onto the vessel. Although the shore-tank measurements were not sufficiently accurate to be used as the primary means of measurement, they were a cross-check making it possible to uncover major inaccuracies.

At Mina Al-Bakr, the infrastructure deficiencies made it more difficult to detect manipulation. Shore tank measurements were not available. The shore tanks were severely damaged during the Iran-Iraq War, and then further damaged during the first Gulf War. The shore tanks that existed were not re-calibrated. The metering system at the loading site was not repaired sufficiently to ensure accurate measurements. Therefore, the inspectors were necessarily dependent upon the calibration tables and VEF data provided by vessel masters.

Saybolt attempted to address this problem in several ways. When the contract with the United Nations was first negotiated, Saybolt recommended that the volume of oil loaded onto vessels be measured with reference to the volume of oil measured at the port of discharge in addition to the loading port. This suggestion was not implemented. In addition, at the outset of the Program, Saybolt requested that the metering facilities at Ceyhan and Mina Al-Bakr be repaired and recalibrated. However, the meters, which were owned by the Iraqis, were not recalibrated. The contract between the United Nations and Saybolt specified the method of using the VEF of the vessel in order to determine the measurements, which, as noted, is the industry standard for measuring loadings of oil in the absence of calibrated metering equipment and/or shore tanks.

In January 1999, following discussion with the United Nations, Saybolt instituted a procedure to attempt to address the potential inaccuracy of the VEF based measurement system. The master of each vessel was required to sign a statement certifying the accuracy of the records provided to Saybolt. The United Nations was informed of this procedure and supported its implementation.

Adapting Inspection Procedure to Enhance Ability to Detect Topping Off

As noted above, the absence of meters was one of the most significant challenges Saybolt faced during the Program, inhibiting our ability to detect measurement discrepancies or unauthorized loadings at those locations. Despite our close monitoring of oil exports at Mina Al-Bakr, in early October 2001, we learned that the captain of the vessel Essex had alerted the U.N. and U.S. authorities that there had been two incidents of unauthorized "topping off" of the Essex at the Mina Al-Bakr terminal after Saybolt inspectors had completed their inspections of the Essex. Documents subsequently provided to Saybolt by the United Nations and others indicate that in May and August 2001, the State Oil Marketing Organization of Iraq ("SOMO") arranged to load on board the Essex vessel additional amounts of oil above and beyond that which was

approved by the SOMO contract with Ibex Energy France, the buyer of the oil loaded onto the Essex.

Saybolt immediately undertook an internal investigation to learn what happened and why, and it cooperated fully with other investigations of these incidents, providing extensive documentation to investigators. I headed our internal investigation. With respect to both incidents, we conducted extensive interviews of our staff, including our Team Leader on the Mina Al-Bakr platform, and reviewed all available documentation. Our investigation found no evidence that any of our employees were aware of the additional unauthorized loadings prior to the report by the Essex captain. We detailed our findings and the bases for our conclusions in a report that I personally presented in mid-October 2001 to the U.N. 661 Committee. That report is included in the documents previously provided to this Subcommittee. Our investigation of these incidents also attempted to determine whether there might have been incidents of topping off in addition to the two reported by the Essex captain. For all of the reasons detailed in our report, we concluded that it was extremely unlikely that this occurred.

Immediately after learning of the Essex captain's report, Saybolt put in place additional procedures to minimize the likelihood that such incidents could recur. As an interim measure, I instructed all team members at Mina Al-Bakr to remain on board vessels until they left port to ensure that there were no additional loadings. After further review, we put in place a procedure under which Saybolt employees sealed the valves on the vessel after loading was complete whenever the vessel did not leave the port immediately after loading for whatever reason. The seals contained numbers, which we noted. Before the vessel left the port, we returned to the vessel to inspect that the seal was still in place and that it was the same seal number. We are unaware of any topping off incidents that happened after we instituted these additional procedures.

### Staffing for Spare Parts Monitoring

We also faced significant challenges in implementing our monitoring role in the spare parts side of the Program. Saybolt's contract with the United Nations authorized the employment of six monitors in the country who worked to verify the arrival and end-use of the spare parts that were purchased. Given the number of spare parts imported into Iraq under the Program, and the distance between locations to be monitored, it was impossible to closely monitor all spare parts at all locations. We communicated to the U.N. that we were not able to physically inspect all spare parts that arrived, and we informed them that additional staff would be required in order to be able to monitor the end-uses of the parts effectively. We also requested that our monitors be stationed throughout the country. However, the Iraqi government insisted that the monitors be stationed only in Baghdad, and the U.N. relented to this pressure.

### IV. HOW THE PROGRAM COULD HAVE BEEN CONSTRUCTED DIFFERENTLY

Your invitation to testify today asked for our insights as to how the Program might have been constructed to better prevent Iraqi manipulation. I understand that others far more expert than I in the structuring of multilateral sanctions regimes have testified before you on this very point. Please allow me to preface my response by explaining that Saybolt is in the oil inspection business, and not the business of second-guessing the architects of the Oil-for-Food Program.

From first-hand experience, I know how complex and tumultuous the environment was in Iraq, and I can assure you that we collaborated with the United Nations, the U.S.-led Multilateral Interception Force ("MIF"), and Iraqi authorities to implement the best possible monitoring system, given the state of the infrastructure we encountered in Iraq. Nonetheless, in the spirit of joining a good faith dialogue, and with the benefit of hindsight, I can offer a few suggestions.

First, obtaining commitments to repair the necessary infrastructure could have strengthened the program. At various times during the Program, problems with the metering systems at Mina Al-Bakr, Zakho, and Ceyhan were brought to the attention of Iraqi authorities. Yet the meters were never brought into working condition. I do not know whether this is because Iraq was not permitted to import the necessary spare parts, or because Iraq was not forced to make the repairs as a condition of participating in the Program. Had these meters become functional and reliably accurate, our monitoring process would have been much less cumbersome and complex, and incidents such as the two 2001 Essex additional loadings could have been more easily detected.

Second, any attempt to monitor unauthorized exports of oil would have necessitated having monitors at other than the three export points authorized under the Program. As you know, Security Council Resolution 986 refers only to monitoring of oil exports through the Mina Al-Bakr terminal and the Iraq-Turkey pipeline. These were the only locations at which Saybolt was contracted to monitor oil exports. From prior testimony before this Subcommittee, we have heard reports of smuggling by roadways into Turkey, other offshore terminals in Iraq, or other cross-border pipelines. Had the scope of the monitoring mandate from the Security Council been broader, the United Nations and its inspection agents could have set up inspection checkpoints to detect illicit oil exports from these other locations.

Third, I think some U.N. official presence at the loading locations may have enhanced the likelihood of compliance with the Program. Saybolt is not a security organization and, in any event, represented a small fraction of those present at authorized export points. For example, at Mina Al-Bakr, there were some 80 Iraqis on the platform, and only a handful of Saybolt inspectors. Our role was as a monitor. When ships were loaded, our duty was to give the United Nations our best calculation as to how much oil was loaded onto the ship. When something went wrong, our duty was to tell the United Nations. Thus, rather than searching for smuggling, our role was to inform the United Nations of quantities leaving Iraq at the designated monitoring sites.

Thank you for your important work, and for the opportunity to address you today.

### Subcommittee on National Security, Emerging Threats, and International Relations, Committee on Government Reform

Tuesday, October 5, 2004, 11:00 a.m.

## Saybolt B.V. Documents

SAYBOLT UNITED NATIONS, NEW YORK FAO: THE OVERSEERS

UNITED NATIONS, NEW YORK FAO: MR BENON SEVAN

Graham Brett
Diverties (3)-10-409236
Dwerties (3)-10-409238
29th May 1998

FROM:

MR P BOKS COPIES: DATE

tv "Beo Africa" at Ceyhan tv "Kraka" at Mina al-Bakr RESOLUTION 986 - "OIL FOR FOOD" SUMMARY REPORTS:-

REFERENCE:

4 (three) TOTAL PAGES:

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to "Eco Africa" which completed loading at Ceyban at 07:48 hrs 29/05/98 for the account of API 01;

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Full details of the above loadings are now entered on to the UN Database.

Kindest regards,

Graham Brett

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Saybolt Intermetional B.V Independent inspectors Chemical Laboratories.

STATEMENT OF FACTS Jate : March 31.1999
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Signed on behalf of Reyheat the reas Accepted on behalf of as "James vangues Accopted on behalf of S.D.M.O Ireq

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Tow. G. Brett

TO: SOMO BAGNDAD TO: SOMO CEYRAN

LETTER OF PROTEST Dear Sirs,

1) Reserve the right of our principal to refer to this matter at a large date, particulatly in respect of any delays incurred.

Yours faithfully,

For: SOMO

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Timed : 27-08-98 at 15:00 CC: BOTAS

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Saybolt Int. - UN Team Ceyhan, Turkey.

Mr. N.S.A. Razzaq

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SAYBOLT NEDERLAND BY

Overseers, The .IN Resolut. 966 - Oil For Food United Nations New York

SUPPLARY SEPORT Independent fragociasa Quality Assactions Secreta Overnical Laborations Manissia ASTMIP<sup>2</sup> Management It. F. Plumosa

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Vessel : MSERA
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Saybelt International B.V.

Independent inspectors. Chemical laboratories.

P.O. Box 181, 3000 AD Rotterdam The Netherfands 1ei (31) 10 4609011 Pax (81) 10 4383600 Th: 21642 8VD NL

Date : June 14, 1996
Versel : HELLESPORT ORPHEUM
Location : Mins at Bake Versuloal, Iveg
Cargo : Barreh Light Crude Oil

STATEMENTS OF PACTS

: The master . 'Hellespent Oxpheum'

Dear Str.

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However, after calculations were completed at end of loading of mentioned cargo there was found to have been a total of 2,116,048 barrels received on board.

This inclinates that a quantity of 16,649-Nex.(1.3. bbls have been overloaded at this time for which it will be necessary to obtain an ammeniment to the issued Letter of Credit. This metter may be considered in hand.

Signed on behalf of Saybolt UN team

Accepted on behalf of TRELESPONT ORPHH

1709AUS 18:81 86-Nn'r-11 18:854

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E.01.03

To seven@un.org
cc
bc
bc
Subject Audi recommendations

Peles BotarSayboulff.

flow can I cope with people that do not understand what they are looking at and continuoualy min up proposals and contracts. The subitors refer to the equipment costs of USD 230,000 mentioned in one of the serily proposals versus a total contract value of USD 2,540,100.-. It should be taken into consideration that after obtaining more impouladge and tide, we revised our badget and conclused a contract with the UN on 15 August 1996 with a contract walse of UED 1,865,000- per period of 190 days.

Saybolt International B.V.

independent Inspectors Chamical Laboratories

P.O. Box 151, 3000 AD Rottertan The Netherlands Fel : (31) 10 4609911 Fes : (31) 10 4353000 flx : 21642 SVD NL

August 22, 1997

JAHRE VENTURE

Mins al Babr Terminal, Ing

Basra Light Crude Oil

# STATEMENT OF FACTS

: The Master, ss. "JAHRE VENTURE": S.O.M.O. Mina al Baler.

This is to advice you that we, acting on behalf of the United Nations as their Jaspecturs and Momiton, with to draw the attention of all puries to the following:

That there is insufficient information on board of the skip to extender and determine an external value (Express Feder (UE)) as per the "API Manual of Perrolean Melasurement Sisterial, Chapter 17 - Manual Melasurement, Aspendix C - Procedure for adioulating vessel "operations forcin (VEP)."

Dus to this fact an experience factor will not be upplied to ships measurements when determining the Bill of Lading Questry for the amount of Basm Light Crude Oil loaded. Furthermore, on behalf of our client, the United Nations, we reserve the right to refer to this

Signed on behalf of to "JAHRE VENTURE"

CR. Fall Edwards. New London

CR. Fall Edwards. New London

Maren

Accepted on behalf of SOMO, Ing 3 nSt Tee Receive of Actor Soun

I will obviously provide you with a more detailed overview but needed to lwt off steam after observing so much ignorence. Places note that the final contract nor the present contract specify any of the costs, so I can not understand the point the suditors make Apologias for being disagreeable. Kinvast regards, Peter Boks

If you can alletted such our arrays please of the last of the last

\$023438

considerable increased capital costs encountered since the contect inception, and the maintenance and transportation operation of the following the content of the top beautifies the maintenances. Please do not healthe to content as if former explanation is required.

Yours sincerely, Peter Boks.

Your letter of October 2135, 2002, An the above matter is to hand and I would like to comment as below.

AUDIT RECOMMENDATIONS

Firstly, the "Request For Bid" calls for an all-inclusive price on a per/man per/day basis. There is no requirement to quote a cost for equipment; Indeed the RFP doss not require any costs to be itemized. It now becomes obvious that the authors statements based on their misunderstanding of the documents that they seen to have at their disposal.

Initially, we were asked to simpli a par/amy/day for 12 mm; over a 240-day content parter, the state of the second of the second

Ab we have iterated a number of times before, there was no equipment cost to enter the cost of the cos

In Para. 30 of the GIOS report this erromeous percentage has then been applied to the heardidy see (that was accepted at a later stas) to give a figure of circa 495 5 per day and mestry multiplied up to a cost over 9 phases. Matdly convincing mathematics:

Then the GOOD specif, in past 31, state a last, in 000 Spilov explane, sould have been charged to the GOP as an extra speciation with the stationary of provision for each antitionance of the sequence. The GOOD is settlined to an obtained note may also appaired mobile be liaked to the restrict a settlined to an audit in a shall also an explaned to the restrict the sould in description that the sould be applied to an existing legally distincted special experience that the settlement of the sould in description that the settlement of the sould be described.

The Oldo opinion also falls to embrace the fact that without a price increase timese's a price efforted in larse tases) sayolar has confinally replaced to the opinionally replaced to the opinional proposed to the opinional sayolar that the opinional sayolar the confine true of in free and TVZRey, notwithstanding the

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OFFICE OF THE ISING PROCEAMINE - BUREAU CHARGE DU PROCEAMINE IRAQ , car 90 weigh diversity bangs with this,

# NOTE BY THE OFFICE OF THE IRAQ PROGRAMME

Comments by the Office of the Iraq Programme on the final report submitted by OIOS on 15 April 2002

# OIOS Audit No. AF2001/30/6; Audit of the management of the oil inspection services contract

Following the adoption of Security Council resoluting 986 (1995) on 14 April 1993 and the screening and the screening of the screening the screening of the scr

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### I. Introduction

1. In paragraph 5 of the audit report (hereafter referred to as the Report), it is stands that the Cffice of the audit report (hereafter referred to as the Report), it is standed that the Cffice of the audit Programmed (10) did not the add the given on 7 Determber 2001 y. Olto Cereafter and the resembler 2001 is not become did to see the control of the Teach of the Very limit with a deadline of 1.5 known 2002. It is also stand that "dapple the granting of two time extramones, no response to the dark such report recommendations has been received up until now."

3. As stared to paragraph 1 of the Report, it took from March through August 2001 to the content the said, both at took over the senothic wind? Thesember 2001, to then the drift report to QP for commants thereon by 15 fusings 1902, during a period when OP was tookly involved with the start of the implicamentation of a new phase (phase XI) of the humanization programme and consideration of the new distribution plan being submitted by the Government of the true.

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A quick project of the deaft toport indicated immediately the consensity for the thousand review because of the deaft toport of the control o

5. The above capitantions were provided to the Director of the Insteam! Audit Division tand the Carlos of the Insteam I Audit Division tand the Carlos of the Insteam of the Carlos of the Auditor, which was greated Perfectance, the Director of the Insteam! Audit Division and the Claim of the Insteam of the Insteam of the Insteam of the Carlos of the Insteam of the Insteam of the Carlos of the Insteam of I

6. The Director of the Baremal Audit Division and the Chief of the Iraq Unit will recall that it was the recall that the transit the state of the transit of the Earst Sanda Director that they wag against their uses the enabled flow undertake their recent visit to the, On the sector of the Earst-Ondon Director that they used granted their directors and the sector of the formal and the Chief of the law agend with 1000 State Off would prepare to commented on the informal basis. It was agend that each demonstrate with the informal Audit Division, on an informal basis. It was agend that each demonstrate which the informal Audit Division, on an informal basis. It was agend that the Audit of the transit of the Audit of the transit of the Audit of Audit

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publish it, however, you must also undertake to publish our comments thereon, in toto, either separate report or an addradum thereon." Copy of the e-mail estainings of correspondence is altached as an annex to the present Note.

- The suchi objectives as stated in the Report ret, inter alls, to sussess OIP's management of the countest, determine if the contractor provides the required services in an economical, efficient and effective manner, and review the management of other services being provided by the contractor.
- 8. A torkiew of the Report, spinnt the stand objectives of the studit, would have to take into full includention for securation which the constants were accorded and administered. Conservation of the constant region of the constant were not exceeded the vacation. This perfectle contract is their generic out within a very riggoust sustander region can image the a tablety pestitive political servicement. Any position is reward upper from the Report that the studit was conductors without ladge fill conjunear, it is would upper from the Report that the studit was conductors without ladge fill conjunear, if the region of the logal or political contact or the contact which has the influence of the imagement. There are many superate of the programme is well at its implementation governed by the reflexant receivable of the following out the constant of the Security Council and the Committee, which cutained the political contact may diely logic; however, at the Secretary-Carent lass assent cross-studied this programme. "we take nor marching orders from the Security Council."
  - 9 For example, in the introductory paragraph of the Bezonitive Stemenary, it is seated that "O'll behalf that confidence utilities for particular the oil imprection services as an alternative to large contractor, which would have exceeded in industrially swarph." Oillining IU Nartic poetime has do il supercion services, as recommended by the auditors, would have been introduction with the Stearth' Conduction should be subject to the Stearth' Conduction of the Covernment of Inspection special services are exceeded to the covernment of Inspection special services are exceeding the services are exceeding the services of Inspection special services are in the covernment of Inspection special services that in the services of the services of services by the security Conduction in the services of straight we were the villuation goal to the decision expent and full compliance with the decisions taken by the Scientity Council, inter, the goal was to searse full and through imprection of oil expects and full compliance with the decisions taken by the Council.
- 10. Various amondations of the contract were undertaken in response to the requests of the Secretarial Security Council and it of Committee the required system towns on the pent of the Secretarial Securities of the Committee the required system in the interpretate of the Secretarial Conference of the Secretarial Securities of the Committee of the Conference of the Secretarial Secretarial

11. The decidion to manage the contract by Off at Handquarman rather than by UNOHICI was an early active that the second of the contract of of the contra

12. The contentrate also provides expert safviou to Olp in its day-to-day-operations as well as to the Commission, choloding repair briefings on the off hadnery of they as well as mo all sparts and equipment, provided under the programs of with repair of a shall not for somework as all provided under the programs of the shall not the contentrate shall provide in the provided under the relativistic provided to the relativistic provided by the comment of the relativistic provided by the comment would have enabled an approximation of the relativistic provided by the comment would have enabled an approximant of the background to the contract, the contract itself, and its management.

A Calthough the auxiliars underroot site visits to some of the locations where the independent the property of the property of the first of the control of t

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14. Comments on specific sudit findings and recommendations are proffered bereunder:

A: Monimring of involce payments and financial mattery

Procedures have not been implemented to monitor involve payments:

2. Paragraph 201 states that "a review of 15 monthly involues and exporting documents found substancing. Administration of the substantial of the strendence record which reflected "from arrival to departure Armant". In both years of the articlest, payments abound only be most for marming the locations in freq and Turkey.

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16. Contract number PTD1/270065-96 (the initial contract) determined the number of improcess require to paradule instructions in layer data (Litery) and Arthery, and Arthery, 15, provides for hill phymatist complete and satisfactory performance by the contractor of his obligation such as the contractor in the complete of his obligation such as the contractor in the contractor of his obligation such as the contractor of the contractor of his obligation in the contractor of his obligation is not as the contractor of his obligation in the contractor of his obligation is not the contractor of his object of his object

17. The Report also illustrates that the miditors did not have a full understanding of the converse and the travels used the frontier of \$4.9 kg, this intaindestanding for the converse and the forest of the converse of the first interdestanding for the significant error in 'Raining' that Stylotic overshaped some \$270,000 for services provided during the equal 20 Mey 190 × 12 Jan 20 UT he assistions we concluded the billing mechanism. Generalizing that showing that it is a second to the produce of the contracted contract and fined and not on said on it. The stations have also confused the contracted number of imposture it oil. Report.

18. There is a haisonical precedent in the properation of involuced in line with the commencement date of the current canear. The involves sharps covered the product between the 2<sup>22</sup> day of the previous month until the 22<sup>26</sup> day of the much the birocite is prepared. Thus, the involuce prepared of the are of these overes the first day of the much the birocite is prepared. Thus, the involuces Reference is made in this paper in Actorstanct No. 8 in contract 24th of Juna challents. Reference is made in this paper in Actorstanct No. 8 in contract 24th of Juna challents. Reference is made in this impact to Actorstanct No. 8 in contract 24th of Juna challents are the contract challed to the product of the contract found only one moment envoles is need for the month of Juna 1999. This overlands product the respect in the July 1999 bill the included of the product of this split-month hilling, accept for the Juna 6 and 17 June 1999. This overchange (17 Mand Asy) will be deducted undermond very well the hilling mechanism.

19. The lamp sun payment method growlded for in Centrais PTD/127/12065-96 (the initial contract) was discontanted with effect from 28 May 1999 in the successor commo. The change was a consequence of Amendment 8 of the original contract.

Overpayment of monthly invoices needs to be recovered

Presentable (I) seem that the contractor had overcharged by approximately \$370,000, on the contract and the contraction of the

PIOD 1111 ME TE'TL LIKE HAL PALL! (DO TO. PO/TO

21. Regarding the short restioning of staff, as the involcae (since 29 May 1999) were based on at fift by the Assessment Assessment was required to the invoice for consideration of an eff by the Assessment Superior of such cases are required to the invoice for consideration small value that the such cases are not on this, as the invoice dots include any clause for an absent Superior such cases are not on the superior of the constraint namely of them that the interior allows the interior of the depositions makes for digner parts and allows time fact, during the initial stage of that programme monitoring oil purper parts and engineers in the first initial stage of that programme monitoring oil purper parts and engineers in the first initial stage of that programme monitoring of input parts and staff staff afficient to filteriories or our yout the requirements of the Committee, as there was, in the tritial collingment in the best of information between Styrich! responsibilities.

Communication charges by the Contractor have been excessive

22. PRINTING II. Lind II star that the intil structure of the contrast include conventional expenses which is about 1 per each of the tools contrast amount and that the Contrast diet nos provides for any requirement to justify the expense incurred library) the use of Contrast diet nos provides for any requirement to justify the expenses incurred library) the season in the second is to season that the "VII and and consider alternative options and as using the VII is dearmount and the contrast of the contrastication system, which we will have related to the last backledge persons a contrast the trans of the contrastication of till while including persons to contrast the contrastication system in terms of the contributions.

33. The auditors did not stem to take late consideration the geography of larg, the location of the size where the independent imperion general researchings the logistic and difficultie particularly political, which would have been involved in extending the UN beforemundation system to the various beatoms in the stand the beatom in mind and the United Nations has been secrementing considerable difficulties with the Covernment of I tay in over importing prejuvement and or spare parts for entiting UN communication establishment in Iraq.

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24. Also, it must be borne in mind dust it is essential dust the independent inspection agent reasons that structure their regional most expensionally from the Locksian where they are based, uning communication not limited to the vertices Structure units alone. Peruberances there is daily occurrentations on Saybul's basedquerters to the various locations in the field, to transmit data such as the unfortistion documentation for carde oil bealings, as well as, communication will UN Headquerter, as eppropriate. Finally, it should be support that 'confined only we recognited in the unrest construct, POICOI 1400; resulting in substantial swrings on communication cells.

OIP needs to recover personal phone calls made by the Contractor's staff

25. Paragraph 14 states that Styboliv "internal policy is to allow each of its staff members for private adoptone calls totaling up to 45 minutes per month. In Turkey, it was ascertained that and firmulate were not challeng at all for premarial calls, as those were not substantial in the Contractor's select. Since the soal communications one it included in the markety cent structure, private telephone calls of the Contractor staff members are being charged to OFF.

The auditors seem to have confused the cost structure with the agreed billing procedure.
 As the contract is all-inclusive duily fee, the only mechanism for changing would be

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27. The contract was swanded to Suyboit based on compositive tender and there is no verifience that slighted remandaction coard for private calls are shreped to OP. It must also be mentioned that the Such Markering Organization (OSOO) has track for quite some time upon Suyboit's communication systems, particularly after the milliary scale in 1958. All costs involved amounting to USEO 6000 per month were absorbed by the contractor (Sayboit). attendance on site of the contracted personnel and selisfactory performance of their duties

However, the points raised in the Report regarding the cost structure could be utilized in the negotiations for the next contract.

Accommodation and local transportation charges included in man-day billing - rate have been excessive

29. <u>External, 16 and 17</u> vate, into alic, thut at Zakho and Mina-al-Bake, the Government of Ind and provided a commonderion for the Contractor's shiff, and at Zakho, SOMO baid also provided two care for local transportation.

30. With regard to quantions related to costs for eccommodation, transportation, communications, etc., in Res, it well-drown fact that these types references to be incurred in larg would have to be compensate, but under the restriction of stanctions, no system could be made within find in any other currency but fund claims. This hai led to special provided, as required.

Transport casts provided for in the Contract have been charged

31. PETEURIB IS states that "botewithmoding specific provisions in the Contract to the contract, and contract, and contract to the contract, and contract to the contract, and contract to the contract to the contract of the contract, and the contract to the contract to the contract to the contract and the contract to the contract to

32. To facilistic the execution of the contract, it was decided that Saybolt could purchase these vicinies and operate them independential and the vicinies are decident from the to the Chinada Melosa. Because of the improper of the most, it was thence decided to purchase vehicles that were immediately available, that lapported to have different colorate and prices.

Non-expendahle equipment purchased by the Contractor had not been adequately accounted for

31. <u>Paragraph 29</u> muse bas "the UN lead authorized the Contradior to purchase equipment including weights, and communities upon communities and software. We found that this sequency paid for by the UN did not know any UN state number affined and that any two the unities of the UN did not know any UN state number affined and that any the UN. Furthermore, the equipment was not entered into OPF's.

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invanory system, and there had been m periodic checks on these assets as required by UN financial rules."

34. The contract is all-inclusive, that is to say, inclusive of the equipment purchased by the contractor. In this regard, the communication equipment, computers and software are not UN property, and therefore there is no corresponding requirement for an inventory.

Charges for additional services provided by the Contractor have been excessive and inadequitely monitored

35. P. TREERBIN 21 to 25 stars, now offer, that OPP accepted over proposals from the contract of relational services withhose any evolutions of price languages of the reston of reston

36. The auditors do not seem to have understood clearly the palms of the work of OP and that variety and the fast man suggest request by the Security Council for all Committee. The proposals referred to by the auditors riste to specific survey indicates that were understann as the specific sequest of the Security Council clearly of their inservent. The proposals by the contractive are "all-is", i.e., including all relevant presented for tractical activities and councily as well after the medility services and an expect refreshing presentation to the Security Council Cou

37. It is also an erronacous assumption that OP does not nutritein comparative information to destrainble in "throatableness" or "propostal, OP has always Payte duch information and handaristic one-going contact with preferenced societies and industrial regardizations, and hands been also discuss quickly with experts whether technical and financial proposal were restouched.

33. Revixeding the comments on the round-trip from Amman-Baghdad-Amman, it is concoded that the charges were overstand. Consequently, OIP is arranging a deduction of the overcharge, as appropriate.

39. The endicon do not seem to laws taken into consideration the question of the time factor feedback and seeman is all constitutes, which shall be be taken into noncideration in fedding missions. Fortunately, Stybell had and var able to provide expect immediately from the freedom when the seeman seeman is all the second that the fortunately stybell had and var as the seeman to understand a mission, as well as having great tendental lemilitarity with both the free part of inclusive well as the reli inclusive in execution is the seeman to specificately to mercrate and a taken in the content of the content of the section of the seeman includes in a second in the seeman in the section of the seeman of the content was based on an o'll-the' cor proposal. Furthermore, the contrador's proposals were fully considered by the followers.

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The Contractor had not conducted "audit visits" as provided for in the Contract

40. PRINCIPAL M. STREETING M. STREETING THE CONTINUENT PROPOSAL SEASON TO MAKE THE TREETING THE CONTINUENT PROPOSAL TO MAKE THAT THE PROPOSAL SEASON THE CONTINUENT SEASON THE SEASON THE CONTINUENT SEASON THE CONTINUENT SEASON

41. The samuption is incorrect, as the tochnical head of the line town for Sayboil regularly underfacts mention to large and near of the context. In addition, regular wally "take are understace by OF capert, particularly their inclived in gase parts and regularly "take are understace by OF capert, particularly the timely will appear that and regular for the toil are to well automate growth and the Coil Overscent. It should also be pointed out that it is never effective and efficient to have an overall term leader positioned within leng that has total responsibility for "teatings" interests on an experise on the opening busin of tenture and existen, then the total responsibility for "teatings" which are, there all, post facts.

Services provided by UNOIICI have not been adequately charged to the Contractor

42. Parnersuba 17 and 128 have been duly noted. As exact in paragraph 12 above, 41 may be weeful for the auditors to review Section VIII of the MOU, concerning Privileges and temputation.

B: Monitoring Contractor's performance

OLP officials charged with monterring the Contract had not made inspection visits to Iraq

43. Regarding the comments on <u>paragraphs</u> 22 and 230 it should be noted that the contract is before geometric in highly separation which the paragraphs of the contract of the saturation of or not compressible. When the compressible (WOHSIC) remodes, it was decided to administer the compressible that contract from the contract of the materials of Suphole on a daily basis through reporting at well as daily constitution with Supholi, the Oil Overseen, as well as the Oil Perspect of Capation on it speceptimes.

D: Contract Issues

Need to reparate the cost of Contractor's equipment from the man-day fee structure

44. In preservable 31 to 33, and the auditon' corresponding recommendations, the Roport allocates the cost of explanant protected under the content with 58/94/97. While the comments are too vague to constitute a valid finding, it is clear that the nations did not take into full contents of the contents of the content of

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Serviny of CVs of Contract personnel have been ineffective

45. It would seem that the stations did not failty understand the background of the issue of early persistent. It was originally feweren that the contentor would identify oversions. That was an absoluted use taken the selection of traff satigated to monitor the carde oil early are dearly include the selection of traff satigated to monitor the carde oil early are dearly leaded experienced and motivated individuals expanse of working efficiently in the most exthesus conditions in law.

46. It is also incorrect to state that CVs of contractor's personnel are not reviewed. Whatever Sayle-it seat a recommendation, it was reviewed by the COD waters in COD (Context) to D(Context) to D(

47. In the memorandum, classed 15 April 2002, acknowled to the Beneautive Director of the Circle of Circle

Recommendation 3: Emblinh a contract management unit in they
whose intention about infante reviewing involvers reporting
documentation, verifying Contractor's standaron records,
monitoring galditional request for equipment and services by the
Contractor and providing input for evaluation of the services
provided (AVE)(1549003).

44. This recommendation falls to take into consideration to fact that this would require an expensional requires and a staffing that the transcript to 10/102/CTs mandate and would not necessarily be agreed to by the Covernment of Italy. Furthermore, to 10/102/CTs mandate before in muitable and Indight and integrating the Covernment of Italy. Furthermore, that is discussed the bears in muitable for the Indight of the Covernment of Italy. Furthermore, that the detailed the contract form Readquarter including the Covernment of Italy and the Covernment of Italy and the Covernment of Italy and Italy and

Recommendation 4: OP management should recover the overpayment of \$370,000 as indicated in Annex 5, from the Contractor in subsequent billings (AF01,306/004)

This recommendation thould be further reviewed by OIOS. The \$370,000 seems to be significantly overstand. Includity, Supoult is review of its invaices revealed underchanging of approximately \$19,000 that might enced any overchanging.

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Becommodation 6: Off muagement should in future contracts with the Commotor (or only other contractor) request the communication expanse from the man-day stuff rescure and existence and exe on precastation of detailed ecommonation (e.g. invoices from service providers) (APU/1506/060)

The recommendation is noted and will be taken into account for the negotiation of future contract proposals.

Recommendation 3: OIP management should take strps to stop payment of personal telephone calls of the Contractor staff and recover the amounts overgaid which is estimated at \$109,000 for the first nine phases of the pongramme (AFOI) 4006/008).

The contract is as all-inclusive, and there is no evidence that the contractor has separately charged OIP for private cults. Further, it would be contrast to the terms of the contract to demand such reinbursement.

Recommendation 9; OIP mengenens should recover overpayments for accommodation and trespectation of approximately \$471,000 from the Contractor (AFD1,3006/009)

52. The contract is all-inclusive, therefore under the terms of the contract there is no reimbursement due.

Recommendation 16: implement procedures for procuring urganity required services, which should include: obtaining quotations from other suppliers; checking the reasonableness of groundson based on sexual costs; and negotiating costs with the side-cirel supplier (APD) 2046/01(5).

As stand above, OIP maintains constant contact with professional societies and industrial organizations and is, therefore, current on the costs of services. However, the recommendation is noted.

Recommendation 17: OF management should obtain details of "well visit" understate by the Contractor and if no seath visits have then place, recover an estimated amount of \$270,000 for 36 such required visits up to phone share (AFR)(3046017).

54. It is more effective and efficient to have an overall term leader positioned within frequent that have total responsibility for "auditing" functions on an one-going besind of treview and soft marter has no supervised. We dissipated to the distribution of the dost of consider that may recovery is due.

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Recommendation 11: OP management should establish an appropriate approved process for candidates proposed by the contractor in accordance with the contract (APO1790/6021).

55 There are consultations between OIP and the contractor in the selection of candidates. However, consideration will be given to emblish a formal procedure for conveying approval of candidates proposed by the contractor.

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UNITED NATIONS

## NATIONS UNIES

Internal audit division Office of internal oversight services

Reference: AUD-7-1:31 (1023 / 02)

United Nations
OFFICE OF INTERNAL OVERSIGHT SERVICES
Internal Audit Division

Mr. Benon Sevan, Executive Director Office of the Iraq Programme

Esther Storn, Director Internal Audit Division, OIOS

OIOS Audit No. AF2601/30/6; Audit of the management of the oil inspection services Contract

1. A draft avoit report on the above-mentioned subject was issued on 7 December 7001 requesting a reporting a report of 15 Issues 1000. The detailed for the response are rememble obtained for approximately 3.1 modals, until 31 March 2002. Subsequent to the issue of the fault version of 50 export on 15 Action 2, are play the recommendations as restricted for 10 addressed to the ONIS 1550, under a correcting assertance of 17 April 7002. In order to address the response to 15 Action 2009 of 10 addressed to the commentation of 10 addressed to the recommendation 2008 that decided to issue a revised version of the final suelit reports incorparating OPP sometime.

3. IAD is assessing the overall quality of its audit process and kindly requests that you consult with your ensugers who death directly with the sudivers and complete the attached client satisfaction array form.

4. Thank you for the assistance and cooperation provided to the auditors on this assignment.

Audit aubject: Management of the oil impection services Contract Audit No. AF2001/30/6 Report date: 3 July 2002

Audit team:
Dagfina Kantsen, Auditor-in-Charge
Jayanti Praned, Rediend Auditor
Gloria Jose, Resident Auditor
Anna Halasan, Audit Assistant

# Audit of the management of the oil inspection services Contract (AF2001/30/6) Excentive Summary

From March through August 2001, OIOS conducted an audit of the management of the oil impaction provides. Charact between the United Values are 88 Systems Heart Brain Hearthster B N. (the Contency). The found of the said in the on administrative and management appears of the Contency of the content of the said in the set release into season and administrative and expenses of the Contency as the said of content and the experimentation and any single the representation of the said in the content and the said in the content and any single the representation and supplied the transmissional form the expenditure of the said in found in future content content content content arrangements in order to season the content content content arrangements in order to examine the content content content content arrangement in order to season the content conten

#### Results in brief:

- A review of 19s monthly Contractor's invoices found indequate precedures to monitor invoice payment and ambiguites in supporting documentation leading to estimated overpayments of approximately \$118c,000.
- D. Excessive charges have been made for company and gapagnal cogniquationation costs.
   Subbandial savings could have been achieved if communication costs were paid on an actual basis.
- Charges by the Contractor for accommodation and local intraportation were perceave and
  were not based on the first that the Overnment of Iraq offert provided these services free of
  spiger. Had this born taken into account, estimated savings of \$471,000 could have been
  achieved.
- Despite transportation costs being provided for in the Contract, amendments were made for the purchase of vehicles
- The Contractor had gaget excessive charges for certain additional services such as providing equipment for saye part empsychen, engaging four additional experts, transportation charges for consultants, etc., in addition, invoices were paid without adequate augustring documentation and justification.
- \$235,330 was paid to the Contractor for providing a "Comprehenaive survey of the foll interaction I hard. An except the bedding the events was reasonable for some and polycocology. However, to instance were taken to assess the reasonablemes of the Commerce's proposal, and payment was made without any apporting documentation being stomatic of proposal.
- Audit vixils as provided for in the Contract had not been made by the Contractor, resulting in overpayments of \$270,000
- The Contractor had not been charged for the services provided by United Nations Office of the Humanitarian Coordinator in Iraq (UNOHCI). The  $\mathcal{U}_{\rm eff}$   $\epsilon_{\rm eff}$

- No procedures had been established to monitor the services of the Contractor, in the absence
  of which it is not clear as to how OIP had essessed the quality of services provided.
- O Agreeing to pay for equipment costs, built min the per-man day cost structure, had resulted in the UN paying approximately 33/2 million for the Contractor's equipment. This cost appeared excessive compared to the value of sernal equipment in use by the Contractor.
  - OIP had not been securinizing the curriculum vitae of the Contractor's staff offectively, even though they are required to do so under the Contract.

### Major recommendations:

#### OIP should:

- 3 S-rengthen the procedures for approving the Contractor's invoices by requiring complete s' pporting documentation and performing detailed verification of them.
- O Establish e contract management unit in Inqu whose functions about disclude reviewing irrolete approfing decumentation, maiotaining succedance records for contractor, assessing requests for additional equipment and services by the Contractor, and providing input for establasion of the services provided.
- O Rosover approximately \$186,000 due to overcharging for excess numbers of staff as designated locations and misakes apparent from records. O'lly abouid review all Contractor invoices to determine the correct recoverable amount.
- Consider amending the Commus so that communication, local transportation and accommodation cost are segregated from the per-man day cost situative and are reimbursed based on verifiable supporting documentation.
- Consider amending the Counted to regregate the Contractor's equipment costs from the per-man day cost attructure. There should be a one-time reimbursoment of the actual cost with some provision for maintenance.
- Check contracts for additional services for reasonableness, obtain additional quotation and full justification and documentation to support payments. Bill the Contractor for the services provided by the UN to the Contractor at the standard cost for third parties.
- Develop a clear mechanism to monitor and evaluate the performance of the Contractor, both
  at the field and Headquarters level.
- Develop appropriate procedures to approve Contractor's personnel more effectively.

\$023508

#### I. INTRODUCTION

From March through August 2001, OIOS conducted an audit of the management of oil
granden netwices covered between the builted Mattern and Subpoul Estaten Hernitphere B. V. (the
Convextod). The audit was conducted in accordance with the general and specific standards for the
profe scional practice of insernal auditing in United Nations Organizations.

Paragraphs

Chapter

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ž 0 -

AUDIT OBJECTIVES I. INTRODUCTION

AUDIT SCOPE

= ≥ =

A. Monitoring of invoice payments and financial matters

B. Monitoring Contractor's performance

>

AUDIT FINDINGS AND RECOMMENDATIONS

- One of the functions of the Office of Ineg Programme (OID), under Security Council Resolution (SCI) 266 (1981) to to resease the super rick of and of products from Inch leaving, in proved export points: in addition, OIP is responsible for mentalizing the end use of oil equipment and space parts that one being procured by Eneq to improve its decaying oil inchasty infrastructure.
- 1. The initial Contract with Stybolt Easent Hamippen (Contract and DICD/MS1/0006/00), be varietified if Allent 1996 and the Property of the production of Indigated 1996 and the Contract of Predicted Allent (DPA) for the production of Indigated reports in international tale make in the physical Allent (DPA) for the product reports in international tale make in closely of the Contract (Fording Contract, New Contract) and the Allent 1996 and the Contract of Contract on Production 1990 which repolated to the Contract (Contract on Production 1990 which repolated the Contract on Production 1990 which repolated the Contract of Contract on Production 1990 which repolated the Contract of Contract on Production 1990 which repolated the Production 1990 which repolate

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- Determine if the Contractor provides the required servious in an economical, efficient and effective manner; and 3
- (iii) Review the management of other services being provided by the Contractor.

#### III. AUDIT SCOPE

7. OIOS conducted a provious sadit (A55744) on the procurement appears of this Contract. The correst intended between content intended to the content intended to the content of the Contract, intended and OMF as procedures to evaluate the Contract of the Contract intended and of the content of the Contract of the C

## IV. AUDIT FINDINGS AND RECOMMENDATIONS

# A. Monitoring of invoice payments and financial matters

# Procedures have not been implemented to monitor invoice payments

- 8. The Contract and unnendment required the Contractor to provide a total of 14 Cil Impoentors which has betaknown of its a Michael-Birth trees at Zalda, and free at Cappain in Tarkey, in addition, anneadment number 8 of the Contract provided for its apare part impoents (two each at these particles to the contract provided for its apare part impoents (two each at these particles the valued). He nable of contract provided for its apare part impoents the such as the contract provided for which the nable of the payment, which there was a section at membrate increasurance of a security in any appropriate abouting of the Contractor, Our review of provided in contract payments, which were lacking basic financial choices and balmocs, coult review of anneadord in form to the particle particle particle for the Contractor, Our review of purposes.
- 9. A review of 19 monthly invoices and supporting documents found the following deficiencies:
- The attendance record was ambiguous since in many cases it reflected the attendance "from ravival to department, Annum", whereas the payment to the Couractor should only be made for maning the levations in here and Turkey. This could have resulted to payment for safe from a in the work focations. 3
- The attendance abset did not relate to the month written on it. For example, if the month is written as "lates" that has 30 days, the attendance details are for 31 days. This irregularity, found in 18 of the19 invoices reviewed, was never questioned by 3
- In the initial Contract, payments were to be made in lump sums; 30 per cent three months after start of Contract, 30 per cent six months after start, and 40 per cent upon **3**

satisfactory completion of the Contract. The relevant involves had no supporting decumentation such as disordance about, on which to base the payment. Honce, there was a lack of any internal control.

3

Recommendations 1, 2 and 3:

Oil management should:

(i) Request the Commenter to modify the supporting invoice documents (entails and which is currently indicated as "then arrive to department of their subtraints currently indicated as "then arrive to department." Annuari, "such would enable OIP to verify the invoice (A701/266/601);

(iii) Entablish a contract management unit in lasq whose functions aboutd include reviewing involves. Importing documentation, verifying the Contractor in rendations record, mentioning additional respects for equipment and services by the Contractor and providing input for evaluation of the services provided (APO)120(6/023). (ii) Review the arrangement whereby the Executive Director certifies invoices, and institute specific procedures for checking and approving invoices (AF01/30/6002); and

11. Recommendation 003 was not agreed to and OIP stated that the contract was monaged by their their UNDOLLO as a set of underly compared to DIORICI an analysis. OIP side a need of their their their Section of their their their Section of their their their their Section of their their section of the section of the contract of their section of the section of the contract of their section of the section of the contract of their section of the section of the contract of the section of the contract of the section of the section of the contract of the section of the section of the contract of the section of the se OD agreed with recommendation (01), Indicating that as of December 2000 the attendance control has shown "perceived attendance on location, from arrival to departure." The recommendation has been closed. OP did not provide a comment on recommendation (02) better the recommendation retains open.

OIP provide us with a copy of the procedures. We also request that OIP reconsider establishing a formal contract management unit in the field.

## Overpayment of monthly invoices needs to be recovered

- 12. A review of invoices found has indequate entuiny had led to irregulanties resulting in overpayments of proportanted \$371,000, which should be recovered from the Connector (as detailed in the Armet) on excessue of overchanging, and short and excess stationing of sail. The following discrepancies were found:
  - On a few occasions, the Contractor had overcharged OIP since the attendance recor shower man-days than those charged;  $\Xi$
- il was observed that the Contractor had often maintained lower strengths than that required by the Contract. However, OIP old not deduct any amounts for pacifornance; and 3
  - The Contractor had charged for additional staff in excess of contractual requirement which had been paid by O(P). (10)

In our opinion, the poor attendance recording practices by the Contractor resulting in overcharging indicates a lack of professionalism and should be immediately rectified as recommended above.

#### Recommendations 4 and 5; OIP management should:

- (i) Recover the overpayment of \$186,000, as indicated in Annex from the Contractor in subsequent billings (AF01/30/6/004), and
- (ii) Review all other monthly invoices to determine if any further amounts need to be recovered from the Contention on account of over-billing, and shortcaces maintenance of staff. This review should also ever these invoices without supporting attendance shoes (ARD17086405).
- 13. Off disagreed with recommendation (04, and stated that the auditors did not understand the infinite mechanism which was based on any 60 as therethe than conserved pull freets and than the invites of a month coveral deep spatial from \$20 ft the spratial state of the spatial from \$20 ft the spatial state of the spatial free was no exposite infinite research for the remains of June 1995 (corpsponent of 17 mone deep) which sowed be destinated from a fairner populate. (O16) as severe that the construction of the spatial state of the summer required is per the contract. (O10 shad recommended recovery of the anomate which had perspectly of the summer which had not perspectly of the summer which the summer perspectly of the summer which had not expectly the structure which the stalling levels appeared from recover, concerning the failure of connection to maintain the stalling levels agreed to in the contract, (O10) is of the opinion that there should be a possibly the spatial to the second of connection to maintain the stalling levels agreed to in the contract, (O10) is of the opinion that there should be a possibly

clause is the construct for each nea-performance. The Acuses has been numeraded to refloct our revised exclusions.

Evaluations. Furtherment, Olso Marke as note the indications of the same as a mondary invoice from 3% of the previous month to 3% of the month of the same of the same

- 14. Fungraph 16 of OUP's raph states that the contract, "... provides for full payment for the properties and supplies on the contract of the supplies of the supplies of the contract in the function of the contract of the contract of the contract in the function of the contract of the contract in the function of the contract in the function of the contract in the function of the contract in the
  - OLP has indicated in its response to recommendation 805, that a review of invoices had only revealed two minor discrepancies. The recommendation has therefore been closed.

## Con munication charges by the Contractor have been excessive

- 16. A review of the stuff structure (appearin; III of the proposal of June 1996) proposed by the Cheston, comparation, both Journal of the Cheston, comparation, both Journal and lody sign valve at sprace, local transport, communication, insurance, starting and subtributed and starting and experience, tample maturial transport and explained to contract price. Included in the front starting of the contract price. Included in the ground were communication expenses of \$650,000, which is book 12 per contract price included contract and maturial transport to the initial six needs of the Contract this amounted to approximately \$380,000.
- 17. Despite this large expenditure, the Courtest did not provide for any requirement to justify the expense incurred. The communication appears are sessivally due to the use of a sadditive communication system (Satonal). The UN did not consider alternative opions such as unity for incurred systems (Satonal). The UN did not consider alternative opions such as unity for its consideral systems of the such as unity of the consideral systems of the communication of the communication personner. It shows an opportunity to effect exhibiting a separate the expense of \$2.85 per duty. The regard to the space part is expensed to UN agreed to communications expense of \$2.85 per duty. We need to the space (100) per naturally. 8343
- 18. While PD and OIP entempted to require presentation of sexual bills in authorizing payment for transmissization. According to the organization of a count date of Districtive Notes of greed to this date in action in an extendible flat. From the beginning we have been even then one upon man per day feet in respection to that philosophy, the it is not receivabling possible. Althorizing the quantitative action on upon man per day feet in respection to that philosophy, the it is not receivabling possible. Althorizing the quantitative in the representation of the country of the properties of the country of the properties of the country of the properties of the Reference of the properties of the properties

is a high probability that the UN may be paying more for the communication Contractor is actually spending.

### Recommendations 6 and 7:

OIP management should:

(i) In faute connects with the Contractor (or any other connector) sparse the communication exposers from the man-day unff anexture and reinforces those on presentation of dealed documentation (e.g. invoices from service provides) (API)1996/2009), and

(ii) Investigate the use of alternative communication options | \( \psi \) \psi \) including the use of INORICI's telecommunications network with appropriate reduction in the Contrast price for communication independently in the Contrast price for communication in the Contrast price (AFOLIZOROW).

19. OIP took note of recommendation DMs and stated. "On-thus costs were renegotisted in the actual reverse context. PCOST 1400, Energy in statementications sout." If falso stated that this recommendation would be taken into account in the magnitism of finance counters of partial than the recommendation would be taken into account in the magnitism of finance counters of partial to the proceeding of intelligent commentations on anoth that the Percentent of Intelligent communication and equipment costs in the manadop-rast structure, and indicated that would be accommendation of adopting we have been cated to quote a territorier which was tell in." Based on ORP's response, we have closed this recommendation.

30. Off diaggreed with recommendation ROT and titted in its reply that the authors had not affected by the company that on account the diagonal of the integersors, and that negations was political affectively OHONICI to request its decrementation spates in these stress. However, DIOS accounts not the LOTA to the order strength by OHO is determined the strength of the distinguished didning the research of the company of the strength of the strength of the distinguished the best looked into That ever of the first of the distinguish of disting the should have adding the Contrastors to the NOONICI research.

# OIP needs to recover personal phone calls made by the Contractor's staff

3.1. We found that Contractor's internal policy is to allow each of its suff members free private dephase calls outling up to A chimate per month. In Takey, the successful that sufficient dephase calls outling up to A chimate per month. In Takey, the successful that all the other sections of the subsection of the Contractor suff members are barget charged to OH:

Based on a cost of \$3 per minute, the estimated free telephone service being enjoyed by the cotor's staff (excluding Ceyhan cost) using Salcom in Iraq would be on the order of \$2,025 per

month or a total of \$12,150 per six-month phase. We are of the opinion that this benefit should not have been charged to OIP.

### Recommendation 8:

2) Of diagrand with recommendation 608 and sexual in lattir regiones that there was no relative the previous legislations and the about the control to common to the new of the control is already and relative that the control is diamont and relative the control is diamont and relative the control of the control is diamont and relative the control of the control is diamont and the control of the control of

# Assemarstation and local transportation startes included in man-day billing rate have been excessive.

24. Breed on the Contractor's proposal of June 1996 and aubaquent proposals, expenses for accommendation the beat irrapport were included in the personal-sign for attention at the first of 2.85 per cast (\$83,700 out of to stat) of \$23,900,100 and \$3.3 per cast (\$155,400 out of t total of \$23,900,100) and \$3.3 per cast (\$155,400 out of a total of \$23,900,100) and \$3.3 per cast (\$155,400 out of a total of \$12,900,100) and \$3.3 per cast (\$155,400 out of a total of \$12,900,100) and \$13,900 out of a total out of \$12,900,100 and \$13,900 out of a total out of a total out of \$13,900 out of a total out of \$13,900 out of a total out of \$13,900 out of \$1

25. Brace of the Contract proposal, we estimated that one per-person-por day is around \$200 for the contract of the Contract proposal or approximately proposal solid proposal contraction and \$210 for investment of the proposal or approximately \$471,000 for their oil inspection at Aline-Abair (6) and \$2400 or ) in the case of accommodation Abairs as a the result inspection; at \$2800 in the case of local transportation charges) for the time complicate phases.

(ii) Future contracts with the current or other contractors should take into account free accommodation and transportation provided so that the UN obtains best value for money (AF0)/30/6010). (i) OIP management should recover overpayments for accommodation and transportation of approximately \$471,000 from the Contractor (AF01/30x/009); and

26. Regarding recommendation (09) OIP stored "...in Iraq, it is need-brow fact that there types of expense to the interest in two world have to be expensedable, but their first retrictions of storcinos, no populate to the stored within the region of the currency but Iraq interest. This has a that operiod unsequents on the stored courted on, ... "On the interest, but Iraq indicated, and the operiod unsequents by the contractor, ... "On the interest, but in the interest of the contractor is a find the interest of the contractor in the contractor in the region of clear which the contractor is the contractor of clear this recommendation, we would appreciate being informed of the strugenment made and the smooths securally paid to the COI by the Contractor.

21. OIP appears to have agreed with recommendation UID, stating in paragraph 28 of its response. "Link point rated it Report required the Report required the Person recurse, could be utilized in the regoldenia for the next content it is noted to clear this recommendation we request OIP to couldn't that it will amond the cost structure in figure contents.

## Transport costs provided for in the Contract have been charged

38. The initial Conzact, as well as the new one, specified that the price included all costs moth the appropriation, equivalent, etc. We found that, anothering specifies provides in the Conzact to contact, mendantes nomine these provided for compare experiences and not all 71 agost the sprovided for compare experiences and the first than the provided for compare experiences and the contact of the properties of the proposal of the contact death of suggestives the proposal of the proposal of the contact death of suggestives to the term death of the proposal of the proposal of the contact of the term death of the proposal of the term death of the proposal of the term death of the term death of the proposal of the term death of the term of the term death of the

OIP management should ensure that future contracts with this Contractor or other contractors be based on schusl equipment cost and not incorporated in the man-day rate (AFOJ/MWOII).

29. OIP appears to have agreed with recommendation 611, stating in paragraph 38 of its response."....the poster regarding the cost structure could be suitisted in the regardinary for the next connect." In order to close this recommendation we request OIP to couptine that it will animal the cost structure in figure connects.

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30. It was also found that the Contractor proposed and the UN approved (Austradorent number 11 to the Contract of the synchronic values of the 15 years). Star, 500 and 245, 500 responsively. All lates whetler where to be 10-post Land Constant Proto 517 with the only difference that, while the chapter on was white in notion, the other two at \$5,000 exproved was expressed that, while the chapter one was white in notion, the other two at \$5,000 extra road war one general extra the expression and the the 10-10 decided have not allowed and paid for different outer vehicles which lad to subject these experience of \$10,000.

#### Recommendation 12:

OIP management should ensure that specification for vehicles are in accordance with the UN standards and avoid unnecessary specifications involving additional costs (AF01/30/6012).

31. OIP stated in (a reply) to recommendation 012, that because of the urgany of the situation; it was a feeded to repute vehicles that different care and colours that was intended toly so which it was a feeded to repute vehicles be well of the disciplination we are closing that recommendation. However, it the faintwe we say to the out-of-the care reducing the recommendation. However, it the faintwe we say to the out-of-the care reducing the recommendation. However, it the faintwe we say to the out-of-the care reducing the reducing the recommendation. However, it the faintwell cours. Non-expendable equipment pumbased by the Constructor had not been adequately accounted for

33. As noted shore, the UN had underized the Coemerice to protective agglement including weit the underived more compared to the Chicago weith the work of the underived the compared to the Chicago that the expression paid for by the UN did not have say to seet under the UN did not have been important to the the UN did not have say UN seet under the UN did not have been important to the UN did not have been say UN seet under the UN did note the UN did not the UN di

#### Recommendation 13:

OIP management should ensure that UNOHCI takes scots of the equipment unclassed by the Contractor and paid for by OIP, record them in the investory system, and routinely perform physical verification (AFD:120/6013).

33. Of diagreed with the recommendation stating. The contract is all-inclusive... In this result the contract is all-inclusive... In this state the commentation expliness the explanate are not livery property, and therefore that it is no corresponding requirement for an investory. Otto points too that the explanate that is not requirement against by the consistence of the contraction of the property seed, the component is the property seed, the rich to observe that the other discussion was required to receive that the reduces the property and all the reduces the property and the reduces the re

Churses for additional services provided by the Contractor have local excessive, and inadequately monitored

- 14. From time to time OIP requested the Contractor to provide proposals for additional services. The core proposal submitted by the Contractor that because the additional services regulations or tests of reasonablement. Moreover, payment for these services that been made without memorisation to rests of reasonablement. Moreover, payment for these services that been made without memorisation to rests of reasonablement. Moreover, payment for the services and should be an extensing the confidence when paying the proof and services and should have been performed by OIP as a matter of routine before payment was made.
  - 35. For example, for the purchase of communication equipment for spare parts impectors valued as \$13,180, notice were made by Off ex even through UNOHCI to varify that the new equipment had setuply arrived or that the equipment was in conformity with authorized standards before phymotal was telescod.
- has matter case, \$27,500 was agreed to by OH for services of four expensions of the class. A characteristic matter of the class. A review of form the control class and control class and control class and control class. A review of form to class mid-class and excepture by the UN without may operationing. The feet for the experts were \$20,5,13.04, 1,10.0
  - 37. A separate Contract (PDC000200 dated 13 January 2000, in the amount of \$235,400) was according with Contract (PDC0002000 dated report of the state of the January 2000, While on exception to beliding was approved by the Department of Management, there was no influention that occupion to beliding was approved by the Department of Management, there was no influention that of poly that checked for recombined to the Contractor's proposal, Active the exception of the Contractor's proposal, Considering the high value of the Contractor's proposal, which was necessed exactly as proposed. Considering the high value of the Contract is ventil two when these proposed to facility at some of the contractor of the proposed contractor for the contractor of the proposed contractor of the secretarity of the proposed contractor of the secretarity of the proposed contractor of the propo
- 38. Furthermore, the invoice amounting to \$235,350 (Invoice 987/00 detect 30 Metal; 2000) was averpeasing being without any expenses altitude by the Commerce, and without any orientee of fractive of the property or reasonableness of the change. While the prod in the form to Commerce of tractive of the property or reasonableness of the change. While the prod in the form to Commerce and for his manual, angued between \$2000 to \$2,000, or supporting document was provided for the surface \$13,100, beautiful and being \$(\$20,000, aniverlaness \$(\$3,000) and procedures.

### Recommendations 14, 15 and 16;

:

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#### management should:

 Take immediate steps to canne that all payments have appropriate supporting documentation before payments are made, and that charges are checked for reasonableness (AFO1/30/6014); (ii) Obtain charifeation from the Contractor for the excessive charge of \$3,000 for the Arman-Baghdad trip and recover the overpayment of \$2,400 from faiture invoices (AF01/2016/015); and

(iii) Implement procedures for procuring argently required services, which should include obtaining quotations from other suppliers, checking the resonableness of quotations based on schull outsts, and regolating come with the selected appliers (APO)170(6016).

39. OIP did not provide a response to recommendation 014 on whether they would ensure that adequate checks are made for invoices prior to payment. In order to close the recommendation we request a response indiretting what steps have been taken to implement it.

40. Off egreed with recommendation 013, and indicated that it would arrange to deduct the overpayment. The recommendation has therefore been closed, however we request OIP to provide us with documentation indicating recovery of these coats.

41. Off pool not of recommendation UM, stating that it maintens comparative information to deferment the resemblents of populate. It jurish extend best in well deeped to be 'discuss quickly-nist agrees whether relating and function propagate new reasonable." Off but intention, "but not consensed a propagate in adjacential propagate new reasonable." Off points out, bowwere, that during the unit, no documentation was realished to incline that reasonableness where the level between documentation was realished to incline that reasonableness was realished to the control. The propagate is the propagate of the control. The propagate is the propagate in the propagat

# The Contractor had not conducted "audit visits" as provided for in the Contract

42. The Contractor's proposal duted June 1996, physided for a coordinator from Rotardian to Vaule? Then presents in the quest six wheel. Charge, the case of beave sixil a world have been included in the overall price proposed by the Contractor. Accordingly, for the raine completed phases the Contractor should have undertaken 36 meth visits (the cost sharped by the Contractor for one to the quest SDO). The Contractor was madely to provide any information indicating that each visit had face place.

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#### Recommendation 17:

OIP management should obtain details of "audit visita" undertken by the Contractor and If no such visits have taken place, recover an estimated amount of \$270,000 for 36 such required visits up to phase nine (AF61/30/6017).

4. Only diagraw with recommendation 017, stating that it was the Conversor's froy team function rate of each and a contract of the sea do stated that the result is small of the sea do stated that extract rate of each of the sea do stated that extract is the conflict of the foreign of the contract. In that that the conflict of the contract is nearly that collect the contract proposal, which is an integral to click the COSS paids on the property of the contract of proposal, which is an integral to click the COSS paids on the property of the contract possible with it is an integral to click the contract possible with its and the region of virtual contract in other to click this integral to recover the costs paid for the region of virtual contract of the region of the region of virtual contract.

# Services provided by UNOHCI have not been adequately charged to the Contractor

44. Under Antiel 7 and 8 of the new Contract (Article 8 and 9 of the old Contract), the UN was provide only identifycant for the Contractors, presented and follow accoss to UN manager on the properties of the Contractor of the Contractor. It was accordated to the Contractor of the Contractor.

While these services are necessary to enable the Contractor to function and should continue,
are much as these were not accorded by provision of the Contract, the cost of these services should
be recovered from the Contractor. We found that only on seven coossion, between June 1999 and
August 2001, had UNOHICI charged the Contractor is total sam of \$1,447.21 for various services.

#### Recommendation 18:

OIP management should quantify the financial implication of services provided to the Contractor by the UN and recover the amounts based on standard mission charge out rates (AP01/206/2018).

OIP disagreed with recommendation 018 stating. The auditors should review Section I'll of the MOU, concerning Privileges and Immunites. "This Section of the MOU deals with the right of 12

secess of the UN, isopectors, etc. to larg and the obligations of the COU and it is not clear how this relates to allarging for services provided by the UN cardet the contract. They service to be provided by the UN are defined to provided the contract at indicated in paragraph 4.0 shows. Services, additional to show, should be charged for. In order to clear this recommendation, we request that objections to the services provided to the Centracta, and make overy affort to recover those costs.

## B. Musitoring Contractors performance

# OP officials charged with monitoring the Contract had not made inspection visits to Iraq

47. In Antice 11 of the Contest, the UN reserved the right to impact and test all services from the Contest as all the contest, the University of the Contest as all the contest and the contest and the contest are the contest and the conte

44. While the Council is mainly performed in Inq (other than one location of Colybul Tuttery). Or Bull on spinitation of Colybul on spinitation along the interpretation council, in the schools of which there is no no the control of the council is the schools of the color of the control of the color of t

#### D. Contract issues

Next to separate the cost of Continuou's conjunent from the num-lay fee structure

49. Based on the tariff structure proposed by the Continuous, equipment parachased to perform the
Countes board built into the many self-see several real importances, equipment parachased to perform the
Countes to the self-see self-see several real self-see several continuous of the second of the self-see several self-see self-see several self-see self-see several self-see self-see

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### Recommendations 19 and 20:

### OfP management should:

Other professional experience (Years)

(i) Provide for reintbursensent of one-time equipment coats in future contracts in order to avoid the uneconomical arrangements of the current Contract (AF01/30/6/019); and

(ii) Negotiate with the Contractor to recover approximately \$1 million paid or equipment in excess of its secual cost and to stop further payments for the equipment cost component in the current Contract (AFB/1506/020).

Olf did not provide a reaponse to recommendation 019. In our opinion, separating the cost
of equipment from the man-day contract anocture would be a more economical arrangement for the
Organization. We therefore retirente this recommendation.

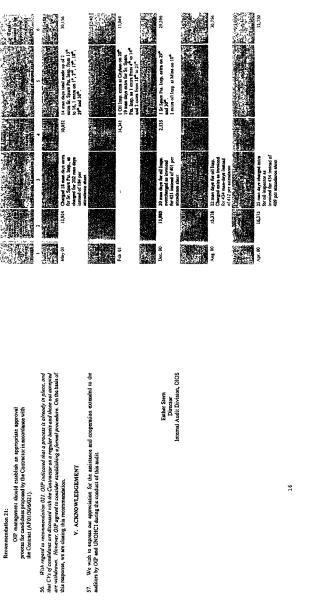
53. OIP disagred with recommendation DDD staining. "While he comments over now support to constitute a well-placed in the development and staining in the development of the development in sood with development. Also call them received the support and the development of the call of the development. Also call them received the support of the case of the equipment. — Off may have been the constituted the Construction of the development. — Off may not be the received that and other increases the Construction of the medium of the development of

## Serviny of CVs of Contract personnel have been ineffective

44. The Courtecur prosposed (paragraph, 1.1 of the Contractor's proposal of June 1996) that in view of importance and intrict compliance with the free place, only Contractor's Court of the contraction of Indoornalized (SCR) and Mannatudian II discretizating (MCM) with the last Qovernment, each manther of the team found to built integrated accounted to the contraction of the contraction o

Ξ

55. A perual of the above table indicated that, contrany to their assertion that they would form a feared operation. Learn of positions, the proposed causidates had with aggest and flower as their doctonisticatory in terms of experience. Another requirement of the Contacts; it is the tibe VID should approve all candidates as submitted by the Contactor. We found however, then the IUN has been approving proposed causidates as marter of twaits, as some of the catalidates proposed by the Contractor has



ever been rejected.

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			2,340	I Spare Pt losp execut on 10" 3 mas days execut for oil losp As 1 Oil losp execut on 18, 19" and 30" or Coches	3,115		
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UNITED NATIONS ( NATIONS UNIES

No. 99 Dec. 99

OFFICE OF THE IRAQ PROGRAMME - BUREAU CHARGE DU PROGRAMME IRAQ .ma mantana marranta and and

Mr. Dileep Nair

" Under-Secretary-General
for Internal Overright Services

) wery much regret that I feet obliged to bring to your personal attention the comments office of the lang Programme regarding the final Audit report issued by the Internal Audit islan of OIOS, concerning the management of the oil inspection services Contract. Bonce V. Serna

B. Executive Director

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B. Executive Contract

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A stand in the report, it took the auditors from barrels through August 2001 to conduct above said in that it took over these modals the barrensh stall privision to submit the worst said; and that it took over these modals the barrels at all privision to submit the word of the constant and of the fore comments through 15 isomery 2007, as a revice the beautiful of the fore the submitted in the start of the first in the first of the information of a piece (passe 2007) and the constant of the first of the constant of the first of the constant of the first of the submitted in the constant of the first of the submitted in the constant of the first of the submitted in the constant of the first of the submitted in paragraph 2 to 6 in the standard Now preparable of this Gifforn.

In brief, I should like to Inform you that this Office cannot agree either with the findings is assumptions made by auditors.

I should like to relients that I have always welcomed scullar, be they internal or externer lates created than the standard understander yet with the well-which was ming. Always all, they should to that I homework and fully understand the recebitions in allost alknow by the Scounfly Council, pursuant we highly understand the recebitions in the context of a very fightone standards with which they programme is being implement in the Context of a very respectively required to the Scounfly Council from the programment for the programme. They should a standard with the Scounfly Council from the primarished of the programme. They should a standard with the Context provided to the Manacandom of Understanding conceiled even the Scorenists of the United Nations and the Government of Iraq (\$71596735).

We have been implementing the programme persons and extracted studies (1995) under very difficult, constant and light persons to Sexuity Careell studies of report, i.d. not see any appreciation on the part of the actions of the difficulties encountered. It is always stay to postificate. I do hope that the auditors concerned do not consider themselves infaithful.

Accordingly, I abould be greatful if you could kindly review the comments contained it the anticely freely with a view in similar glot ancessary revisions to feal report Otherwise very much reger to inform you that we will be going yet again through the most unfortunate influence with expend to a previous under regerding projection upper does previous under regerding independent uppercline agents, when the comments from the Secretaria, including the opiation of the Legal Council, were repeatedly ignored for several years. You know exactly the shull I am referring to.

Should a decision be taken not to revise the above report, I should appreciate it if the attached Note by this Office is issued either as an addendum to the report or as a separate decument.

I should also like to have an appolatment with you on your return from official travel, as early as possible. I will be in rouch with your Office.

NOTE BY THE OFFICE OF THE IRAQ PROGRAMME

Comments by the Office of the Iraq Programme on the final report submitted by OiOS on 15 April 2002

OIOS Audit No. AF2001/30/6: Audit of the management of the oil inspection services contract

Following the subption of Sexualty Council resolution 986 (1995) on 14 April 1995 and
the conclusion of a Handmandam of Unicertainfield (1907), or 2 May 1995 keloween the
the conclusion of a Handmandam of Unicertainfield (1907), or 2 May 1995 keloween the
Secretarist of the United Nations and the Government of Ingl (1995/250), Sayboil Basenn
Herseystein BV Chemister refured to a system) was about 1907/27006546, in
Auy est 1996, to provide the sarvices of 14 Individuals with "Particular experiences and
que"fenciore to sais an insolution get report of percentain with an option of removal for up to three
the concerts period of set (6) months, with an option of removal for up to three
(9)-concerts period of set (6) months of the same terms and conditions, control
(7)-1277006554, set an abstancemy amended several intens to provide for additional importors
(7)-1277006554, set appear and only only of the same terms and conditions, solyoit overall processive terms on the same terms and conditions, Sayboil vould provide 25
inspection sparts; It is monitor the tot appear and site (6) for garpe parts and conditions, Sayboil vould provide 25
inspection sparts; It is monitor the tot appear and its (6) for garpe parts and experience
from aix (8) to eight (8), bringing the total number of agent to 2.

I. Introduction

In paragraph 5 of the audit record (Aernafter referred to us the Repord), it is tained that the Office of the first Programme (OPP) did to an arrange for the soil confidence requirement by the Orio's or response to us all reconcernabilistic flowested is a defit report, on 7 December 2001, with a leadable of 1 still nearly 2002. It is also need that "Vaspite the grounding of two time carrandom, no response to the dust sudit report recommendations has been received up until nearly.

As stand in paragraph 1 of the Report, it took from March shrough August 2001 to
conduct the sull, and that it took over there maints and Thoesabe-2001 to standing the dish
and the sull, and that it took over there maints that the sull possessed 2001 to standing the dish
are to Off the contraction that the Standard Standard Standard Standard Standard
involved with the stant of implementation of the took of the Paragraph of the Conventions to
programme and consideration of the new distribution plan being submitted by the Conventions of
the

to the Aquatic review of the dreft report indicated immediately the necessity for a thorough review because OP could not upper eliter with the findings or the assumptions made by the review because OP could not upper eliter with the findings or the summerions made by the religion. These we as the name remote in the administrations made by the auditors, which required us to check lawcies, among others. Furthermore, the OPP and member with that their two colorests the management of the constrate of the original made in the section of the claims made in the fact frough the transition from Sayboli's backquarters regardings with the contractor's team is reader in the offs. It also also become the sayboli's backquarters, or at the least through OPP to receive authoritative responses to their queries.

S. The shows explanations were provided to the Director of the laternal Audit Division and the Confe of the Use Augustan Unit COGS, what a separate for extended not the deadline, which was granted. However, the conference of the the tending the statement of the programme Unit COGS, what is required the internal Audit Division and the CADLe of the Internal Forgatures that were fully defined internal to the programme that were fully defined to the conference of the companion of the programme and the conference of the programme and the companion of the programme and the companion of the programme and the stock and an arrangement of the stock and an arrangement of the stock and the companion of the programme as well as assisting the Scoutific Committee entailed by resolution of the programme as well as assisting the defined secondaries of the committee is the fact.

6. The Director of the locemal Audit Division and the Chale of the Ireq Unit will recall that it was through the preval alterwation of the Recourse Or the Recourse of the Rec

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- The audit objectives as samed to the Eoport are, inter aits, to assess OEP's management of
  the construct, determine if the contradror provides the required services in an economical, efficient
  and effective manner, and review the management of other services being provided by the
  contrador.
- 8. A review of the Report, against the stated objectives of the studic would have to take into full consideration the coatest in which the contracts were accountd and submissioned. Commans On their Volume from York NY 1801 761 121 50 509 Fau 121 50 1904 Intellementary

we not created it is wearm. This particular correct is bug curried out within a very rigorous annotives regime and anasyst in a largely sensitive political previous memory consistence. Yet, it would appear from the Report flow the found in weard alone for the consistence. Yet, it would appear from the Report flow the chordle weed alone for the consistence. Yet, it would appear from the Report flow the chordle weed alone for the large flow the regime of the sensitive and the control weed the control weed to the the control week of the control week in the flow the management of the large flow flow the control week in the flow the return when the control week is the control week in the presented to the presented to the presented of the decidence of the Security Council and the Committee, which control the political content may their togic however, as the Security Council we may represent the regular represented by regarding this programme, "we take our metaling enters from the Security Council."

Por example, in the introductory paragraph of the Executive Summary, it is sated that of polyand have ordered undirectly the affi to perform the off impercions were review as an other should have ordered undirectly as the submarine to hitting a construct, which would have treated a sushaimed any subject. "Utilizing the first to perform the off impercions are treated by the subject, would have been incounted and the control are constructed by the subject of the North Vision was the Moreometrial or North Vision and to Downstrain of the North Vision was the Moreometrial or North Vision and the Control of the American and the Moreometrial or North Vision and the Control of the American and the Moreometrial or North Vision and the American and the American space in the American and American space in the American and American and American space in the North Vision and American and A

10. Various anomalments of the contract were undertaken in response to the requests of the Security Consoil and it is Committee in required ungest reflect on the part of the Securities. Forumous, it, established got working and lightly professional reflactmith of the Committee that is Syado presented the Darlet National with a containers the shoulings, one that caused the Syado presented the Darlet National with a containers that caused the cost of the containers that the containers of the parties of the separation of the capture of the Committee, would include chips in the granting of view to the expert who had to reved to Indy of the Sourity Council remainment is the other containers to conditioners the confidence of the other of the Committee of the Committee of the Committee of the State of the State of the Committee of the State of

11. The dectation to manage the contract by OIP at Headquarten rudors than by UNOHGU was the rest to include the compromate the term function. Why was a deciding that the rose the force to contract of the Contract of C

Unioni Nations Plans, Rosen DCL-LSSR, New York, NY 10617 Tels 2 313 NS 5767 Plus 1, 212 963 1984 Rippi/Imms.co.ang/Depisho)

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13. Although the sudicest understook site visits to some of the locations where the superprincip superprincip imports again as it beaution, they did not the consistent when the subset of the superprincip superprincip superprincip such as the sudicest that the very different is seen in some distribution which make which the interpretate spaces are no consulted to herewort the suddense when the consistent was the suddense when the consistent and Otto Ordicals, now with Sayboit broading the subset of the suddense same of the consistent on a section of the property of the suddense same of the consistent on the such that the suddense same of the consistent on the such that the suddense duely experience with the constructive teachers the subset in the, they should have a more suddentifier proposate.

Comments on specific sudit findings and recommendations are proffered hareunder:

A: Monitoring of lavoice payments and financial matters

Procedures have not been implemented to monttor invoice payments:

 Paregraph 3() ander that "a raview of 19 monthly lavoices and supporting documents found" deficiences". Among the deficiencies stated is ambiguity of the streatures record which reflected "from artival to departmer, Annaus". In the view of the auditors, payments about only be made for manning the locations in lang and Turkoy.

16. Connect number PTD/12/0005-96 (the initial connect) determined the number of properties required to the profitate broaden in first and brittery, and Aufler 7.1 provides for full payment for complete and suitedness performance by the connector of the Adiptions under the payment for complete and suitedness by otherwise of the Adiption under the term. It is that the transfer to read the connect of the adiption of the connection of the c

17. The Report take liberarents that the auditors did not have a full understanding of the concernst and the mande used in the apparation of inches by Sepholi. Liber anisanderstanding lid to a significant error is fullough that Sayabi encelopaged scare \$570,000 for services lid to be understanding the state of the second scare of the second sca

18. There is a historical procedent in the proparation of invoices in line with the commencement of the first crimst contract. The invoice always covers the period between the 29° day of the previous month until the 28° day of the month the invoice is prepared. Thus, the invoice propared is the end of June covers the last few days of May until the 280 of June One timed to the covers the last few days of May until the 280 of June One timed to the covers the last few days of May until the 280 of June One timed The 280 of June One The 2

inclusive. Reference is made in this regard to Amendonest No. & to counted.
PUTIONINITATIONS, which content the period 20 May 1999 through 28 Newmort 1999, after which this freeding cheene was implemented. A review of all invoices floated out one under the invoices floated out one to repeat the sand of the subset of the invoices floated out one to theyer the law of the content invoices. No over billing content as result of this applicant billing, correct for the content invoices. No over billing content as a result of this applicant billing, correct for the content invoices. No over billing content as result of this applicant billing, correct for the content invoices. We will be deduced for it then payment. The this timegalarity was not quarted by Off was because Off understood very well the billing confamilies.

 The lump sum payment method provided for in Couract PTD/127/10055-96 (the initial council) was discontinued with effect from 28 May 1999 in the successor contract.
 The change was a consequence of Amendment 8 of the original contract.

Overpayment of monthly invoices needs to be recovered

20. Presentable 10 states that the contractor had overscharged by approximately \$570,000 or an examinate or an extraction of \$6.00 or \$

21. Regarding the short nationing of antil; as the invoices (since 29 May 1999) were based and are the pre-bandson sheet, no objectment was expected to the function for continuated she first verse not on day, as the through expected any change for an absent 59-bolt had maken. An noted shown, Limperchine of the national mander of oil there part is inspectoral allowed into lang, during the initial stages of that programme monitoring oil speric parts and equipment in provided under the programme, the contraction cody deployed monther of staff staff and selectively carry out the requirements of the Committee, as there was, in the initial privat, an object to the programment of the Committee, as there was, in the initial privat, and object to the oil spers parts and private fluctuations between Sayboth's reprintedibilities.

Communication charges by the Contractor have been excessive

2. Paragraph 11 and 12 sus that the furfil encounce of the contract includion communication requires which is though 27 per cut of the food content amount of tent to communication requires which is though 27 per cut of the food content cannot be compared from the time of a serial communication speem (Santonia). The Apont is no state into the "IN Add as consider alternative options such as taking the IV to decommunication system, which would have reduced the communication represent application, speem (Santonia and Santonia).

23. The audious did not seem to take into consideration the goography of Irea, the location of the state where the independent and practice against a set abilities and eightiest and difficulties, particularly political, which would have been involved in extensing the UN informational system to the various locations. It should be borne in mind that the United Mations has been system to the various locations.

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cacountering considerable difficatiots with the Government of Iraq in even importing replacement and or spare parts for existing UN communication establishment in Iraq.

24. Also, it must be borns in mind that it is essential that the independent inspection a premarile fair-proper non-propositionary from the location where they are threed, using communication not instant to the vertices Sences units none. Furthermore, there is deally collecte from Shydright and the set is deally collecte from Shydright and the set is deally only as the first Shydright and the set is deally to the send and at the set is consensated for cruck of I ballings, we first a the extremental to the set is communication to the set in the set in the set is communication IN Handquarers, as a specialistic for cruck of I ballings, we first a constant as the set in communication of communication in the service of contract in the service of contract in the service contract, PD/COI 14/01, resulting in substantial aveing co-communication country.

# OIP needs to recover personal phone calls made by the Contractor's staff

- 23. Paragraph 14 states that Sarbolt's "lacemal policy is to allow such of its raff member free private tackpoor calls souther por 0.45 minutes por month. In Tuters, it was ascertained that staff emotion were not charged at all for potential in a flow were not charged at all for potential in the manufacture of Common's view. Since the total communication cost is knaleded in the man-day cost arrangem, private prepares estipose calls of the Contractor staff members are being charged to ORP."
  - 26. The auditors seem to have confused the cost structure with the agreed billing procedur. At the contract is stylenciaritive daily fee, the only mechanism for changing would be attackance on aim of the contracted personnel and satisfactory performance of their duities.
- 27. The continct was awarded to Saybolt based on competitive under and there is no revidence that lagged communication coars for private sets are charged to OIP. It must also be mentioned that the State Oil Marketing Organization (SOMO) has redded for quite acome time upon Saybolt's communication systems, particularly after the milliary station is 1998. All cost involved amounting to USD 6,000 par month were absorbed by the contentual (Saybolt).
- However, the points ruled in the Report regarding the cost structure could be utilized
  the negotiations for the next contract.

Accommodation and local transportation charges included in man-day billing - rate have been excessive

Paragraph 16 and II stut, iver also the R. Zakho and Mins-al-Bake, the Government of ling had provided accommodation for the Commetor's staff, and at Zakho, SOMO had also provided two cars for local transportation.

30. With regard to quantizan related to costs for accommodation, transportation, communication etc. in Engl 1, we well-known faint that these types capterases to be incurred in frag would have to be compensated, but under the netationate of sanctions, no spyreness could be made whilst Engl in my other currency but leng disans. This has led to special arrangements by the commutors, not just Skyfold, to ensue that these services, etc., are provided, as required.

Iransport costs provided for in the Contract have been charged

de ûrênd keline fare, Benn DCL-1538, den Yarî, AY 1883. Tel 1.112 963 5167. Ens 1.113 963 1994. Heyûpenvalengûdhekde

31. Paragraph 18 states that "bownshmanding specific provisions in the Contract to the country, and country, incomplement intuber temp provided for exequite explanate for two express parallel important at so and \$17,190. Furthermore, as per the proposal of the Contracting destination at some of the contraction, as per the proposal of the Contraction, dead \$25 persiminar, 200, do cost of \$17,300. Furthermore, as per tape proposal of the Contraction at \$250 for set. In discriminar, the contraction transportation acts set of 2.85 or Set. In our critical, and expensively was made in the Contract for transportation and \$25 or set. In our critical, and persimply the Entraction Transportation and special for amending the Contract for transportation and personal transportation and appeared to double charge the UN for those coasts."

32. To facilities the execution of the contract, it was decided that Saybolt could purchase three vehicles and operate than disopondering the vehicles would remain the property of the United Nationa. Recurse of the regions of the need, it was turbart decided to purchase vehicles that were immediated; available, that lapponed to have different colors and prices.

Non-exp-ndable equipment purchased by the Contractor had not been adequately accounted fo

33. Paragraph 20 states that "the UN had sutborized the Contractor to purchase equipment including "Holland, and communication expignant like astronms, contractive and exhvents. We found that the equipment and for the UN did not have any UN state; number infracts and harves by-10 km and the third of the UN states that the equipment of the equipment of the equipment of the UN Purchamon, the equipment was not entered into OPP's imposting which interests the equipment of the UN Purchamon, the equipment was not entered into OPP's financial view.

34. The contract is all-inclusive, that is to say, inclusive of the equipment purchased by the contractor. In this regard, the communication equipment, computers and softwareane not UN property, and therefore there is no corresponding requirement for an inventory.

Charges for additional services provided by the Contractor have been excessive and inadequately monitored

35. Pringerphi 21 to 25 stars, ture ulin, the OIP accepted cost proposals from the contraction of the varieties are related to a proposals from the contraction of the regulations or tests of reasonablecess. Moscower, payment for these services that free made without documentation to support the involcing such as original bills for purchasen, it decay, vouchers, etc.

36. The auditors do not seem to have understood clearly the nature of the work of OIP and the very sensitive and them own upgan requests the be-Schariff Coulcil and ist Connatines. The proposals referred to the the self-series of sensitive and the series of the self-series of the self-series of the series of the self-series of the self-series of the self-series of the self-series of the contact-series are "laid" i. d., including all reterent personnel for technical starifiested analysis, are the size mealings were through a personnel for technical starifiested changing the self-series of the self-series of the self-series of the self-series of the personnel for technical starifiested changes the self-series of the personnel for technical starifiested changes the self-series of the personnel stary contact and the Occurrement's experience with Subolit presented the United Nations with scondidenthe orbangs;— one the count or the count of the count of the count of the missions much none capacitions and effective,

37. It is also an erroneous assumption that OIP dues not maintain comparative information to determine the "reasonableness" of proposals. OIP has always kept such information and has mainfaithed or-going contact with prefessional societies and industrial organizations, and has

ne United Nations Parts, Room BCL-1578, Hen Yerk, NY 19217. Tal 1 212 963 2767. First 1 213 963 1954. Burgulunna aan y Dr.

thus been able to discuss quickly with experts whether technical and financial proposals were reasonable.

- 38. Regarding the comments on the round-trip from Ammus-Baghdad-Amman, it is conceded that the charges were overstand. Consequently, Off is arranging a deduction of the overcharge, as appropriate.
- 39. The auditons do not seem to have taken into consideration the question of the time theory enablable by the Counsal set of Lecumber, which also to be start to consideration in federing institute. Formatally, Spiroli had not use the to provide expert instruction in federing mixture. Formatally, Spiroli had not use the top provide expert instructional in the federing great to considerate the spiroli had not use the transpirol to understand the mixture and provide great to characteristic the federing the connecting spiroli the transpirolity of the provideral to the desired provideration of the characteristic start of the characteristic spirolity of the provideration of the characteristic spirolity of proposals were fully considered by the Offerstern.

The Contractor had not conducted "audit visits" as provided for in the Contract

- 40. PERSENDA 26 states that titlough the connector's proposal dated lines 1996, provided for a coordinate from Bonstein or 's wilder' has to extend that the bost no cadestoot. On the seasonable on the first proposed by the Connextor, the wallions consequently evided in the votest price possible that the connector of the visits would have been insteaded in the votest liptor proposed by the Connextor, the wallions consequently calculated 36 which missed visits.
- 41. The assumption is morract, as the technical leads of the Iraq team for Saybai regularly underfaces measure in Fayaba to our of these volumes in Iraquille to everal to set of the context. In addition, regular "suif" white as maderathen by OBC expents, particularly these involveds its spare that suid-particularly the suid-volved is spare that suid-particularly the suid-volved is spare that suid-particularly the suid-volved is spare. It is should not be pointed out that it is now effective and efficient to have so overall bear leader positioned within larq at his total responsibility for "tacking of morrisons on an operall glass of review and scribes.

Services provided by UNOHCI have not been adequately charged to the Contractor

- 42. Paragraphs 27 and 28 have been duly neved. As stated in paragraph 12 above, it may be useful for the sadions to review Section VIII of the MOU, concerning Privilegus and Immunities.

B: Monitoring Contractor's performance

OIP officials charged with monitoring the Contract had not made inspection visits to Iraq

43. Regarding the comments on <u>paragraphs</u> 29 and 316 is should by a noted that the contract is being experiment by the latentiments. As has been already strated, in order not contract on contractions to the contractions of the contractions of the contractions of the contractions in compressible to contract from Handquenter, OF maintains contract from Handquenter, OF maintains contract from the Fardquenter, OF maintains considered of the eichvites of \$5\text{spottle as daily basis through reporting as well as daily constanting with \$5\text{spottle in OII Overseens, as wellast the OIP groups of experts on oil spare parts.

dated Nations Burn, Stoom DCL-1524, New York, NY 10017. Tel: § 212 965 5747. Enn l'212 965 1964. Inspilvery manory De

Need to separate the cost of Contractor's equipment from the manday fee structure

44. In parametrable 31 to 37, and the auditorn 'corresponding recommendations, the Report discusses the need of enginement included under the wind the comments are to varyge to constitute at valid facilities and the other than the suffaces did not take into that conscitution the enginging maintainess, riperi and repleasement coast as trackmosted into the conscitution that weight parameters, riperi and repleasement coast as trackmosted also the control as well, when they speak of continue coast for equipment and recommend returnementated 35 Sychol. Furthermore, that the audition been in tooch with Sysholis' the analysis was received the information regarding the cost of "some of the equipment", as the suddions have put it.

Scrutiny of CVs of Contract personnel have been ineffective

- 45. Il would searn that the auditors did not fully undermant the background of the times of early positioner. It was originally greeners had not contrator would beauty freeze. The tizes was statequently set as title. The excellent of test accounts would beauty the contrator except the except with the prediction of test accounts for some or except the one than the experiments and mandatestal bathvishals capable of working efficiency by in the new strategies or living.
- 46. It is also incorrect to ston that CVs of countractor's personella are pretrieved. Whenever, Staylor lears are concentrationally as my member the big pages settle 1/10F and them forwards to be Ol Overwards to Olf for staylor confidence settle 1/10F and the operation of the person is the latest stated as under of querions with suggest to another proposed by Staylor confidence respect to the latest staylor or additional proposed by Staylor or the staylor or staylor or the staylor of the distribution of the staylor of distribution of the staylor of the latest of distribution to be subject to the latest of the staylor of of the s
- 47. In the memorandum, dated 15 April 2002, audreased to the Executive Director of the birth Properties of the birth Properties of the present in the programmer areasoning the Report, the Director of the Internal COG, has search, than 2016 considered recommendations 3, 4, 6, 8, 1, 10, 17 and 17, continued in the cryont "as being of critical importance". In light of the introductory remains above, as well as the consensus no specific paragraphs, it will be accessary to review such of the recommendations as stands thereafter.

Recommendation 3: Entablida a contract management until integ whose functions about insident reviewing principors' apporting documentation, verifying. Contractor's attendance records, nonationing additional requests for equipment and services by the Contractor and providing input for evaluation of the services provided (APUL) (2016/2025).

46. This recommendation fulls to sake into consideration to the first that revoil require additional researces to starting wide are extremed to UNIGHT, master and enough on recensarily to agood to by the Government of fine; former and and other than the Confidence is made in the UNIGHT or an integral to by the Government of fine; former one to the Government of the properties of the Confidence on manage the counter from the Adequates just the suffer decision taken. We have the coperties within OIP at the

de Unide Kriser Pres, Reen DCL-1538, New York, NY 1902? Tel: J.12 NO 5767 Fee: J.212 963 1964. Supplimentatory/Depos

Headquarter, including the Oil Overseers and the group of oil spare parts experts with whom Sayboit has to work very closely, almost on a day-to-day basis.

Recommendation 4: OIP management should recover the overpayment of \$370,000 as indicated in Amoox 1, from the Contractor in subsequent billings (AF01,3016,004)

This recommendation aboud be further reviewed by OIOS. The \$370,000 seems to be significantly overstated. Incaically, Sayboth's review of its Invoices revealed undercharging of approximately \$19,000 that might cancel any overchanging.

Recommendation 6: OIP management should in foure consists with the Commerce (see my other constraints) separate the communication exposes from the man-tay suff structure and trainfaints and no presentation of destilled decumentation (a.g. invales from tervior provident) (APU/JA064006).

The recommendation is noted and will be taken into account for the negotiation of future contract proposals.

Recommendation 8: OIP management should take steps to stop payment of present incipators cells of the Couractor staff and recover the amounts overgaid which is estimated at \$109,000 for the first nine phasest of the programme (AFOLIZele(1028)

51. The contract is an all-inclusive, and there is no evideance that the contractor has separately being old (Pri private call). Forther, it would be contrary to the terms of the contract to default atten the influencement.

Recommendation 9: OIP management should recover overpayments for accommodation and transportation of approximately \$471,000 from the Contractor (AF01,290,6009)

52. The contract is sili-inclusive, therefore under the terms of the contract there is no reimbursement due.

Recommendation 16: Insplacem procedures for procuring urgardy required nerview which should include: obsailing equestion from other respirier; checking the reaccustations of questions based ones and sought ones, and seguisting come with the selected supplier (APU,37040(16)).

 As stated above, OIP maintains constant contact with professional societies and industrial organizations and is, therefore, current on the costs of services. However, the recommendation is noted. Recommendation 17: OIP management should obtain details of additivistic waterlaken by the Contractor and if no such visits invo taken place, recover an estimated automat of \$270,000 for 36 such required visits up to phase nine (APOI/30\%017).

Pare, Boog DCL-1518, New York, NY 10017 Tek 1 221 943 5767 Fee: 1 212 943 1964 http://www.me.ny.jDuye.ebij

54. It is more effective and effecten to have an overall team leader positioned within lanq then been deli regulated by a studing? functions on an on-going basis of review and setton, rather then only perforde. "staff, which are after all post factor, in this regard, OPF does not consider that any recovery is due.

Recommendation 21: OIP management should establish an appropriate approval process for candidates proposed by the contract (APOLSO/6/021).

There are consultations between OIP and the contractor in the relocation of candidates.
 However, consideration will be given to establish a formal procedure for conveying approval of candidaria proposed by the contractor.

ij

One United Patienc Plate, Rosen D.C.L.M.S., Incr York, NY 1921T Tal. 1213 503 7567 Face I 222 563 5584 https://www.sameryDreysield

\$023541

Pater Boks 04/05/2002 01:41 PM

To: Maurice Critchley' contchley@un.org?

Subject: Audstons report 🖨

Bear Baurice.

Unfortunately I have not been able to pay you a visit whilst I was in New York during the last few day's.

I understood however from Grahas that you est with his and indicated that except to an auditor with respect to a veriff ver mot. Deprivate you ripply and income to a credit ver mot. Deprivate you supply and indicate the off-ferming to the extra that the object of the confidence of the USD of the except of the consideration the undiabousd invoices.

I was can bet as know your phone number I will call you coming finding.

Kindest regards,

Peter Boks

of coll other. If you are blaidled bland bland of coll other. If you are blaidled bland bland of coll out bland confidence of coll out bland bland of confidence of bland out bland treat and conditions and he confidence out bland of bland

The information in this masses is provided in the income such for the defense in the income such in the provided in the income such in the income such in the income such in the income such in the provided in the income such in the income suc

-14.

Subject: Re: Oil trapection contract such

Application or entity improved with particular backing including construction of the application of the appl

According to early consistent on the consistent of the consistent

I should apprecide to receive a response as to how you wish to proceed in order for this Office to prepare in seasones affects in the former of a separate document or as a draft non-spape as we had agreed prior to your departure for first.

Sincerely yours,

Benon V. Sevan

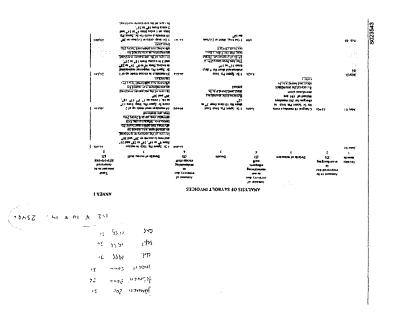
Subject: Of inspection contract suids

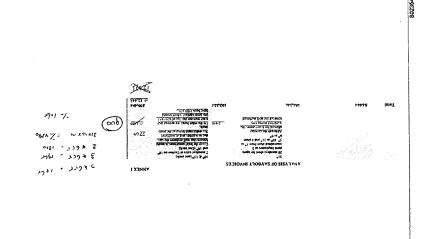
Mr. Senat.

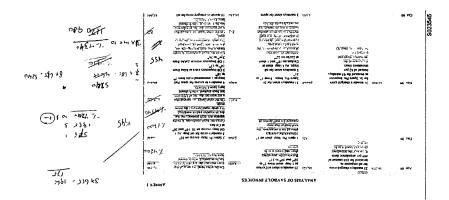
This workboar upped a negocine to the above draft audit report was to be provided by 31 March 2002.
This was the second catention given. Since a teaponae has not been received we will be issuing the final report shortly.

One United Nations Place, Room DCL-LEES, New York, NY 10017 Tal: LAIR 965 5767 Part LAIR 960 1964 Buspilwww.anarryDupaleds









UNITED NATIONS

NATIONS UNIES

OPPICE OF THE IRAQ PROGRAMME - BUREAU CHARGE DU PROGRAMME IRAQ . We to the the state with the same same

COMMENTS ON THE MANAGEMENT OF THE OIL INSPECTION SERVICES CONTRACT

As sudit of the management of the oil impection contracts was conducted by 1005 from March through 2010. Using the report (ASCA)(04), district 17 December 2011, with findings and recommendations, as well as a request for the schools for the implementation of the contract of the schools for the implementation of the contract of the schools of the sch

Relitowing the Security Council resolution 986 (1995) and the MOU. Sayboit Bastern Hemisphere BV. (Seybord was wareded Columer TPINIZYIOSES, in Anguest 1984, in provide the services of 14 individuals with "particular experience and qualifications to statist in monitoring the experience produced strong in qualifications to statist in monitoring the regord of problems and persolution produced reform Tray." The contract was for an initial term off at it (is) month, with an opion of renewal for up to three (3) successive periods of size (i) month, with an opion of renewal for up to three (3) successive periods of the (i) or in the county with the contract three is provided for additional impectors for oil spare parts, and groups of oil expert in the authorious period an alignment at the behave of the Security Council, Contract number PD/CO11460 excessed in the 200 succeeded corners PTD/27/0066-96. Under the new corners, which is for our serve with an opion of renewal for the (3) successive terms can be same terms and conditions. Support would sprovide 20 impection agents; and monther of expert said for parts and equipment. The contract has been tracted to monther of agents to 22.

The studic objectives as sared in the death report are, *tauer alia*, to sesses OIP's in manageness of the constant, determine if the constancy provides the required services in an economical, efficient and effective nature, and receive the management of other services being provided by the constance. A review of the druk sadil report, against the stared objectives of the staff, would have to take into consideration the context in which the contancia were executed and submissioned.

Contract are not exceeded as veneure. As disclosed solve, the particular contract is being carried our withhat a searcions regime and manged in a pullicity, sensitive environment of the gather described in a pullicity, sensitive environment of the gather described in a pullicity sensitive environment of the contract world have not endeared without consideration. Yet, if we will speak to find the contract of the contract with the contract within the contract of the legal of points of the contract of the contract of the contract within the contract with the contract within the contract of the legal of the legal of the contract of the contract within the contract with the contract of the sense of the sense of the sense of the contract of the contract of the contract with the contract of the sense of the

986(1995) and the Memorandum of Understanding between the Socretaist of the United Nations and the add contracted if the the implementation of the Security Council resolution 986(1995) (MOU). Ansare, II, passgrad, 4 of the MOU expressly provides to independent supersion agents to monitor ling) oil exports.

Various mondaneas of the contract were undertaken in response to the requests of the Security Council As Commisse and Manifesta 651, 1990 in required urgant respective founds and respective for the commisse of the system of th

The decision to manage the contract from OD rather than UNOHGU was in order not to unduly compromise the thirst 'manage.' To the extent is replicated by OIP to institute appropriate procedures that would ensure that the constance flash discharges its contracted irrepositibilities. It is relating, however, to extraorwing a publicities a rich and a profit in the constance of the manage is responsibilities. Revenuely, the constance discharge its responsibilities. Revenuely, it is compained that the Covernment his relative to its interrupted proficially. The constance, who has compained that the Covernment his relative to include any additional constances and on permanent basis therefore occasionally deploys more staff to cope with peak periods of work.

The auditors failed to well thomselves of vital consultations that would have been useful to them in their work. Thus the sudit objectives were charled our without a proper understanding of the background to the contract, the contract itself and its management.

Although the auditors understook site visits to some of the locations where the independent important agents where the state of the sta

Comments on specific audit findings and recommendations are proffered berounder:

A: Monitoring of invoice payments and financial matters

Procedures have not been implemented to monitor invoice payments:

Paragraph 8 of the darth capot stated, inter-align that the "number of impactors, whether for oil or gamp parts, is the only messurable parameter by which the UN authorized payment to the contractor. Hence an excurse attendance record is essential to support the monthly involces submitted by the contractor." The real parameter to measure the performance of the laspectors, whether for the export of oil or demoining of space parts, as the demoising of space parts, as the demoising representability which come to OIP shifty, weekly, and to special crease, as required should also be noted that through Amendment number 1 to Contract number PD/COLIGO, the

sport public of dispersors was increased from air to eight. Pangraph has the total number of imperiors are increased from air to eight. Pangraph has the total number of response and reports are the form in againfrom as it influenced the subsequentifiedings and recommendations.

recommendation.

Programs 8(1) stated that "a review of 19 monthly lavoices and supporting documents found
"Efficients" A review of 19 monthly lavoices and supporting documents found
"Efficients". A review of deficients assist is embligately of the amendance record which
reflected "from strict to departure Arment". In the view of the saudions, payments about only
be made for manning the locations in Inq and Turkey.

Contract number PTD/12/0065-56 (the initial contract) determined the number of langueons required in particular to obtain a first contract of any additional and any additional contract contract of the soligitations under the contract complete and suitafcorty performance by the contract of the soligitations under the contract and assistent and suitaffectory performance or of imposition gasts than required under the contract, and is not being paid for the cocase anabler. In that regard, it could be appeared the contract particular of the suitability performance and the the "definitions" in the suitabilities crossed "benancial" or becamber 1000 the anable of the particular of the particular performance and the "definitions" in the suitabilities also December 2000 the anable of the suitabilities of Localization from artival to departure".

The day' report the illustrates that the studious do not have a good understanding of the contract not the temperature of the open styckloft. That industrating he to a significant rathod the interpretation of through 19,000 for services provided during its restrict 50 Media. If spiral overstanged some \$370,000 for services provided during the restrict 50 Media in 19,000 for services provided during the restrict 50 Media in 19,000 for services provided the services provided the restrict 50 Media part is about 50 media and the contracted and forcide that for our suffice of parts and contracted number of imposure for only approximately media and the suffices of the services of parts and coping parts and coping the studies of the state of the parts parts of the dath report.

There is a historical precedent in the proparation of invoices in lite with the commencement of the for commencement of the previous months: The services means that the provide them to its lite of the previous months and in the 26th and of the previous months until the 25th and yet the month the invoice is prepared. Thus, the invoice prepared in the one of the previous months will not accorded to the months of the months of the interior prepared of the declaration of the month in 1999. This regulation does are paper in such of the cheeven invoices. No over billing comment as a result of this spilling comment as a result of this spilling compared (17 And days) will be declared from a house prepared to the property. The comparing (17 And days) will be declared from a house prepared to the paper inspiration of the public mechanism, which the studies of lot over

The lump sum payment method provided for in Coarners PTD/12/70665-96 (the initial contract) was discontinued with effect from 28 <sup>84</sup> 1999 in the successor contract. Since June 1999, invoices have been accompanied by an attendance sheet.

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## Overpayment of monthly invoices needs to be recovered

Paragraph 10 of the darl report stated that the continuous rate for the continuous of \$2770000, on the nation and extending of each face per for the 150 brookes when \$2770000 in the horist are then a 15090, that did no appears to be any ordeness of over billing. The involvictar went in the walk the malicines only indicated the first 26 days of the month above on the structure record, and ignored the \$25° \*30° \*40° \*40° \*41° and or the things cross found were for December 7001, where \$29001 littled for \$41\$ days the previous mouth, in determining the they of intendence. The other billings errors found were for December 7001, where \$29001 littled for \$41\$ days for Oll Improcess applies 422 shown on the attendance these, so undeclothering by one day, and have 1900 of the strendance these, so undeclothering by one day, and have 1900 of the strendance these, so undeclothering by one day, and have 1500 of the process of the strendance these, so undeclothering by the day not have finantial consequence.

Regarding the short earthounks of staff, as the involces (since 29 May 1999) were based on staff a specific antendrates their us definement were required to the involced for commercial staff that were not on day, as the involce did not involce and using the contract of staff. As noted in the involce did not involce and using the contract of the maximum silvent gauge parts inspectors, duing the initial stages of that work the contractor only deployed sufficient staff to effectively carried out the requirements of the 65. Committee, as there is an obvious time day; in ordering and polyicidal arrived of gare pare and equipment. It would, thus, appear that he station did not differentiate between 35 you'lds responsibilities.

# Communication charges by the Contractor have been excessive

Pergraph 11 and 12 eased has the surfil rescuent of the contract include communication expenses with a board. It per earlier the total contracts around and the To-Carrier of use provide for any equinement to justify the expenses incurred through the use of a section communication to justify the expenses incurred through the use of a section communication speem (Statement To-Carrier Carrier To-Carrier To-

The studious did not seem to take into consideration the geography of Iraq, the location of the water the independent inspection agains are stationed, the logistics that would have been involved in extending the UN telecommunication system to the various locations and sho the political environment.

It must be noted that time is essential and the independent inspection agants have to transmit their report from the factions where they are because the ingrementation and intend to the various statementation and intend to the various Statement units alone. There is said only on-like time from Stybel's besidemarises to the various locknots in the field, no remaind in all was a time authorise of documentation for much of locknots; it should also be nated that "to-line" costs was reasognized in the current contract, otherwise, they continualization costs, exerting content and the state of the statement and a substantial sawing on communication costs.

OIP needs to recover personal phone calls made by the Contractor's staff

Paragraph 14 stated that Scyolet's "instead policy is no line out of its eard's members free private laptics of early on CS internal policy is no line out of its eard's member to suff members were not highly and CS internal policy to combine yet members were not externated in the suff members were not explaintly in the suff members were not explaintly in the suff members were Stock in communications ontil a dead on the manday root strong private intripology called of the Communication and its analysis of the manday root strong private intripology called other Communication and its members are being changed to CIP."

The audions seem to have confused the cost structure with the agreed billing procedure. As the contract is all-inclusive daily fee, the only mechanism for charging would be attendance on after of the contracted personnel and substractory performance of their duties.

The contrast was awarded to Stybrid based an compositive under and there is no reflector that alleged communication coast for the contrast and the contrast and the contrast and the contrast and the contrast of Radiana (SAMP) has the fact for the contrast and the contrast contrast and the contrast (SAMP) and many ware after the contrast and the contrast (SAMP) and many ware absorbed by the contrast (SAMP).

However, the points raised in the draft report regarding the cost structure could be utilized in the expositions for the next contract.

\*\*Construction and local bromporation charges included in man-day billing rause have been exercise.

\*\*Pungapha 16 and 17 stated, large alia that is Zabbo and Mina-al-bake, the Government of Iraq and Ana-al-bake, the Contemporation in the transportation.

\*\*Pungapha 16 and 17 stated, large alia that is Zabbo and Mina-al-bake, the Government of Iraq and Provided accomment of Iraq and Provided accommendation for the Contractor's staff, and at Zabito, SOMO had also provided two can far local transportation. Paragraphs 16 and 17 stated, lower also that at Zakho and Mine-al-bake, the Government of Inq had provided accommodation for the Contractor's staff, and at Zakho, SOMO had also provides two cans for local transportation.

With regard organization.

With regard organization cross for accommodation, transposition.

With regard organization cross for accommodation, transposition control in farth organization cross set of the transport of control organization.

With regard organization cross the control organization cross provided for in each organization.

Throughort cours provided for in each.

Paragraph 18 stated that "novelthistaciting specific provisions in the Contract to the contrary, articulated authorit there provided for computer to quiester for two spectra it spectros it is cost of \$17,800. Parthermore, a per the proposal of the Contract, class 19 September 2000, so not of vibridate garage tests independent was able to the Contract, class 19 September 2000, so the third graph of the proposal of the Contract of the Linguistic and \$1,200. In this signal, we note that the rank-day true provides for transportation costs of 2.85 per cost. In our opinion, associating the Contract in provide additional transport This strangement was not transparent and appeared to double charge the UN for these costs."

To faciliate the execution of the contract, it was decided that Sayboit could purchase three vehicles and operate them independently and the vehicles would remain the property of the

Ubilited Nations. Because of the suggesty of the need, it was further decided to purchase with the second it was further decided to purchase and prices.

Non expendable equipment purchased by the Courneton had not been subquarely accounted. Purgraphy 2 passed by the UNIVA and because the purchase equipment itself which and portables and portables red promonification, out to AUIVA and because the Courneton to purchase equipment itself which are and portables and portables equipment itself.

Non-expendable equipmens purchased by the Contractor had not been adequately accounted for

Parignph 20 stated das "the UN had authorized the Contractor to purchase equipment including the contraction of the contraction equipment lies accords comparers and archaes. We found that the equipment paid for by the UN told not have any UN asset number affined and had never been improved by the UN. Perthermore, the equipment was not nested into OPF stowardor system, and there had been no periodic checks on these assets as required by UN financial rules".

Due to the profitical tentinomenal in which the construct is executed, it is not featible to conduct plotted the records of the values and equipment at the locations. However, of the maintain as record of what has been protectived by Seybols under the TSS account and does not execute this will be counted unaccessary bricks with the Construment of find,

Charges for additional services provided by the Contractor have been excessive and inadequately monitored

Paragraphs 21 to 25 stated, inter-sile, that OIP excepted cost proposals from the contractor for additional surviva "without any edications of prior expeditions or text of restouchbears. Moreover, parametric for these services had been made without observations to support the invoiding such as original bills for purchases, ildeten, wonders, etc."

The auditors scens not to have a ciear understanding of the nature of the work of COP and the very according and office ungart request by the Scornfy Council and it of committee setablished by prediction 661 (1990). The proposals referred to by the auditors nature to specific never missions may see understand as the engages of the Scornfy Council within a 'light unsertime. The proposals by the contractors are 'sile,' i.e., including all relevant personnel for rectalest arthrivities and any system were 'sile,' i.e., including all relevant personnel for rectalest arthrivities and any system were 'sile,' i.e., including all relevant personnel for the contractors are 'sile, i.e., including all relevant writing, presented on the Scornford Council Committee, see, in leading to the demand by the Scornford council in Committee, see, in leading to the demand by the Scornford with a Contemporal Line yould also have been agreed on the presence of any contemporal and the Contemporal see and the season of the contemporal and effects.

It is also an erroneous assumption that OJP does not malinain comparative information to doctoration the "transfortherest" of proposals. OJP that subvise preparate information and has maintained on-going contex with prefessional abodiests and information (organizations, and has minimal been able to discuss quickly with experts whether rechained and financial proposals were researable.

Regarding the comments on the round-trip from Amman-Baghdad-Amman, it is concoded that the charges were overstated. Consequently OIP is arranging a deduction of the

ownerther; But sagin is should be accel that the nuclions seem not to have taken into considerable the special proof the time facer, it in its Spoil was also be provide expert intendicated by the seems who were specialized in the areas seems to understand these missings from their senses who were specialized in the areas seems to understand these missings from their services of great schadule draftlings with soft in part of the control in the seems of the part of the seems of the part of the seems of the se

The Contractor had not conducted "audit visits" as provided for in the Contract

Pangun's Steased that although the Contineour's proposal dated June 1996, provided for a conditional four Steasten. We describe the operation in fact every three that, no additional four conditional four Steastens will be coast of the visits would have been included in the overpaint of the teasurgated that the coast of the visits would have been included in the overpaint price proposed by the Contineous, the auditors coassequently extinated 55 such missed visits.

The issumption is incorrect, as the technical head of the liteq team for Saybolt, Mr. Cirkham Besti. registrial waterkines insighted in the overall price of the contract. In addition, registal "waite" visits are understain to Offer experient. In addition, registal "waite" visits are understain to Offer experient particularly those involved in superpose and experts and other parties and the Offer offer in the part and the Offer offer in the part is an expert as of the Offer offer in the part is an expert and the Offer offer in the part is an expert and offer individual offer individual control of the part is an experience of the offer in the part of registrial to the part part of registrial which are after all post force.

Services provided by UNOHCI have not been adequately charged to the Contractor

Paragraphs 27 and 28 have been duly nozed. B: Monitoring Contractor's performance

OIP officials charged with monitoring the Contract had not made inspection visits to Iraq

Regarding the comments on paragraphs 29 and 30, it should be noted that the contract is being executed in policially sustainly environment. As has been fainedy stand, in order ont on compromite UNGHG's mandata, it was decided to administer the compart from the administer the compart from the administer the mandata, it was decided to administer the contract from the administer the mandata it was decided to administer the contract from the administer that administer the administer the properties of the administer that administer the administer that the properties of upper parts.

Need for reduction in contract payment during "no work" periods

presented 13 sead 32, the sudices opten that during times when oil is not being exported from the the consenters and south for the consenters and south for the consenters are the consenters are souther for the difficult to integer to such continuous in the consenters with the british strainty of fulls hype that would agge to each continuous in the classification of the properties of the consenters with the british of the consenters are the consenters and its filling that the consenters are the subject will be a disreption in the cill expect, and its fillings to consent the such as the value of the consenters are the subject of t

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In regard to the recommendations by the suditors, the memorandum forwarding the furth surport state, the side, that Choice consistenced recommendations 3, 4, 6, 8, 9, 10, 17, 11, and 25 contained therein a being of critical importance. In light of the introductory manifast above, as well as the commendations as special transmissible to revent additions as stated, between the memorand the presence of the presenc

Recommendation 3: Barblish a contract management until is frequence description and another revenue preparing concentration, verifying Contractor's strendmen records, monitoring additional requests for equipment and services by the Contractor and providing input for evolution of the services provided (AFD)/24/46(005).

(i) Recommendation 4: OIP management should recover the overpayment of \$370,000 as indicated in Annex 1, from the Contractor in subsequent billings (AF01/30/6/004) This recommendation fails to take into consideration he fact that this would require additional resources and staffing, which are extraneous to UNOHCI's mandate and would not necessarily be agreed to by the Government of final.

This recommendation should be reviewed by OIOS. The \$370,000 seems to be significantly overstated. Irodically, Soybol's review of its invoices revealed undercharging that may cancel any overcharging.

Recommendation & Off management should in future contracts with the Contractor (or any other contracts) separate the communication expense for then the small structure and ratiobures these on presentation of detailed communition (e.g. invoices from service providers) (AVULIANATOR)

adation is noted for the negotiation of future contract proposals.

our that sowhere is the United Nations is there an occupational group for petroleum engineers, expert or enhalted in Corean and no occupational appear and 20 posts at the Partient for a temporary programme, and those regions these posts to the control United Nations received the placement procedures, would not be featible. There is also the relater case of displaying these 20 F4 settl members, i.e., transportation, accommodation, commissions, etc.

improprose the date in packs before the up and out of none impropress it and our differ on that kind of seampine would make the United Nations increased to challing its mandar in regard to monoishing of oil export. The requisionment of the Security Council and the Security Council and the Security Council and the stall time presence of improcess be malattiated in the designent's sizes. In paragraphs 33 to 35, and the auditors' corresponding recommendations, the report discusses the coor of equipment our gentiesed under the contract will applied. While the comments are too vagas to constitute a valid finding, it is clear that the auditored aid on the into consideration the coupleints a valid finding, list soler that the auditored aid on the into consideration the cogniting maintenance, repair and replacement event that are factored into the contract as valid, when they speak of onettine costs for equipment and recommend estimatescent by 30-poil. Need to separate the cost of Contractor's equipment from the man-day fee structure

Scruiny of CVs of Contract personnel have been ineffective

It would seem that the sudition did not understand the background of the issue of early operationes. It was rightably foresten that the consistency would stately ourse. That idea of such superstand the consistency of set shelf. In the selection of sulf issuigned to monitor the crack oil superstand the operation such experienced and movimes individuals capable of varieting efficiently in the sumetimes, actions condition in large individuals capable of 1.3/3

It is also not correct that that CPs of contrasors personnel are not reviewed. Whenever, Stople least a recommendation, that are triviewed to the appropriate after a OIF and their contrast for their commons. OIF has a furnise of personnel to the contrast for their commons. OIF has a furnise questioned the relativistic of contribution, relativistic versions are now, including expenses, pragging allows the appropriate destination. This was all allowanced during the solidy contact between Syptoki and OIF. Oxidation were withstrom to Syboli from time to time following these discussions, and so there was no node for rejector by OIF.

In-house versus outsourcing of services

As we stated in the listrodiscropy comments, the Memorrandum of Understanding between the Secretarian of the United National and Associated of Hospital Indipendential of the Schoulty Control Installation May (1995), Autent II, perspect the National personal control installation and personalize up offered states (1995), Autent III, personalized that the "state of personalized in stayents appointed by the Schreitty-Central of the United National Inspection applies to the Schreitty-Central of the United Nations in season imposition and in the Associated of the Schreitty-Central of the United Nations on season imposition and the Associated of the Schreitty-Central of the United Nations on season imposition and support as it the popilism entiring station in the Inter-Inter-Proceed, and very could contact a feet and the United National Central Cent

It would therefere and be consistent with the above quoted provisions were the OIP to replace the Independent inspection agents with United Nations personnel. It should also be pointed

The control is an all-inclusive, and there is no evidence that the contractor has separality changed for private earlies. Further, it would be contrary to the terms of the contract to demand such stimbursensen.

Recommendation 9: OIP management should recover overpayments for accommodation, and management approximately \$471,000 from the Commetor (APD),5906,009)

The contract is all-inclusive, therefore upder the terms of the contract, there is no reimbursemen due.

(i) Excommendation 16: Implement procedures for processing superior programs even from which having healthette. Ostation and processing the superior and processing measurable set of quartiers heavy information are and negotiating costs with the successing species (AVI)206(61.0).

As stated above, OIP maintains constant contact with professional societies and indential organizations and is, therefore, current on the costs of services. However, the recommendation is noted.

Recommendation 17: OIP management abould obtain details of "audit visits" undertaken by the Contractor and if no auth-visits have alse aples, recover an estimated amount of \$270,000 for 36 such required visits up to phase nine (APO)/206/6179.

It is more effective and efficient to have an overall team leader positioned within Inquitation to have to all responsibility for sustaining functions on an on-point basis of review and action, rather than only periodic "water" visits, which are after all post facto. In this regard, OP does not consider that say recovery is due.

Recommendation 21: OF management should nagolitic with the Contractor to recover approximately 51 million pair for equipment in access of its actual cost and to stop further payment for the equipment cost component in the current Contract (APU)Jaio(6021).

This recommendation is rejected. OIP is bound by the terms of contract between Saybolt and the United Nations. However, the recommendation will be considered for finure negociations of contract proposals.

Recommendation 23: OIP management should consider the option of engaging UN staff members at the appropriate level, which is clearly a much more economical alternative to contracting

Saybolt Eastern Hemisphere B.V. - Rotterdam

### Memorandum

: OIOS Audit No. AF2001/20%; Audit of the management of the oil inspection services Contract.
: Desember 24, 2001 Office of the Inq Programme Mr. B. Sevan Mr. Stephani Scheer : Peter W.G. Boks

We refer to the find using special mentioned down which we receive on December 13, 100. Although you mention in the covering note that the sublicor special to us in document (sit is not the case. We only provided some information to our team-backer to the although to respond to questions abdrassed to that A that that they are exempted through not ream-backer the testifices to contact us in Secretarian Uniformaterly this server occurred.

Given the fact that the Executive Summary is overlapping the main body of the document, we will limit ourselves to the latter.

to the innovitation reference is made to our current content, encaincing the present suffigured in the innovitation reference in made to content the COMMENT of the COMMENT of the content to the content defined as if no experiment to present its operation of the content to the content to the content to copy with past periods of work. It must be undefined that under present effect the content to copy with past periods of work. It must be undefined that under present effect the content to copy with past periods of work. It must be undefined that under present effect the content requirements inguistantly accord to allowed number of spare parts impositor.

#### III. Audit Scope

Although we noticed that the auditorn undertook nit visits to some of the locations where our staff are located by administrated by the control of the cont

9 (i) Saybolt maintains throughout the year the following staff on site: IV. Audit Findings and Recommendations

Ceyhan - Turkey : 5 Staff members Mina Al Bakr - Iraq : 6 Staff members Zakho - Iraq : 3 Staff members

Baghdad - Iraq: 6 - 8 Staff members

Given the first that there is a historical pracedent in changing, the invoice covers always the period between the 28<sup>th</sup> of of the previous counts) that in 6.4 and of the ments the invoice in pragared at the end of Line covers the inside the disposition of May until the 28<sup>th</sup> of Line the invoice parameter at the end of Line covers the line in the disposition of May until the 28<sup>th</sup> of Line inclusive. After review of all invoices, we found one incorrect invoice, issued for the month June 1999. This irregularity does not appear in any of the other invoices projected. 3

A review per invoice is attached for your reference. 10(3)

irrespective of the maximum allowed spare parts inspectors, during the initial stages of this work we only deployed sufficient staff to effectively carry out the requirements of the 661 Committee, at there is an obvious time delay in ordering and physical strivel of spare parts and equipment. 3

We refer to our review per invoice,

It must be noted that given the flact that time it executed, that over impression have to emaintiff offer reports frame the beautive where they are beautiff frame the construction where they are supplied in life in the UN telecommunication system from beautions and as Missal at 18 hat. In deficient to the communication in the infinitely to be use of the whose stroom unknown. There is also daily on bits of the way of the ways of the wa **B** 

Essentially we feel that our contract has been awarded on the basis of a competitive tender. ¥ ¥

Off is well swer that Saybolt has subcontraced the services for transportation and accommodation which the classifier which the Ministry of Oit, which was proven to be in contravention with UN regulation. It was the adecided to subcontrat this service through a company in Jostha, which to date still is the case.

For good order's sake there is no free transportation and/or accommodation within this contract. 17.

The audions refle to the provision of transportation to the spars parts monitors, which was originally armspet brough NOCH in and attent mo constitution in our fee starstern. When the United Missions concluded that tils was prown an inefficient solution, it was devoted that Stylon could chausche there widelist and operate them independently. The whichies well remain the property of the United Missions, Sayboit has never quoted for the provision of frantsportation of the span part monitors.

A side-remark is that equipment purchased under this arrangement have in numerous cases been replaced by Sayboit. Are there any guideliness as to how we should cope with this? 20.

Given the importance of this contract, it was decided that it would be more effective and efficient to grow make the period within they to have total responsibility for suiting functions on an expensity basis of review and extrine fin addition to that, visit were made by Executives from Roterdom as and whom required. 99

Escentially we feel that our contract has been awarded on the basis of a compositive tender. Soldermark is that equipment is an opposing expenditure, each as indocessory consumables; replacing indocessory equipment, medical equipment, ungending consummication equipment and/or computer, gas for new said face on.

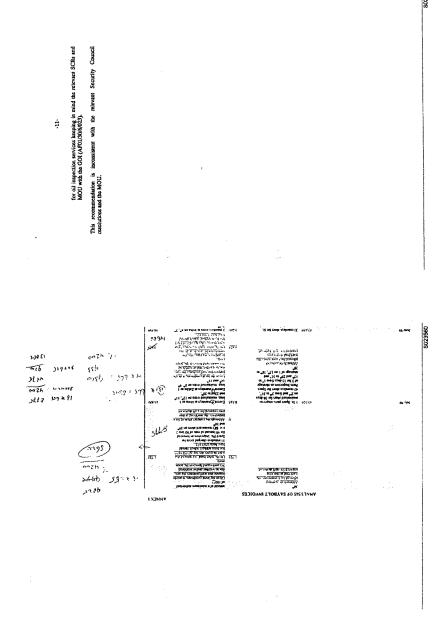
33

It would seem that the sudiens old not understand the background of the issue of earlyperaisoner. This sproads wat before, when the propulate its contain the provision of old
oversees as well. This requirement was between deleted, and therefore is intellectual. In the
selection of that its equiverse to be considered to the containing the containing the containing the containing the containing the containing of the semestiment and professional institutional and professional to the semestiment and professional in the semestiment. 9ģ

6. Again a side-remark: The United Nusions in promulgating the UNSCR 986 decided to bedocures the instancting of Check of its spart from the spir a Nusciderité independent proclaimes company. The appointment of the accountil token was by competitive survent proclaimes of the land of the competitive survent processes of the spiral of the competitive survent processes of the confidence of the throat of the confidence of the confidence of the United Nuscincian Accordingly, it is not realistic to assume that and it is prepared to sever, at this patient on the conditions Accordingly, a specialized that of A fall time employees is innotived in the employee. 統

5023559

5023558



And t

From: Pear Boxs on 10/28/87 06:26 PM.
To: Avedons@un.org
cc. Subject: UN Aude

Please find herewith our comments on your telefax dated 27 October 1997:

1) Letters of Credit.

how tice of Credit are often on general with the last beamer and how tice processed via 80 Patis, there is on hear correspondent in the Victor and their or the Operates correspondent after which was extract in vitting and loadings are although a second in vitting and loadings are although an extract the Additions common to the Addition and the Addition of the Addi

We do all we can to assist, and remain in close contact with the Overseers on this matter to ensure that vessels are not delayed.

2) Trafigura Claim.

A number of points are releed in this section.

We littered to Conclude an idea may 26th 1991) and to 3.3 Stephinides 18d 27th 1997, educated to Marchaella Conclude Spainty Section 1997, educated to Marchaella Conclude Spainty Section 1997, educated to Marchaella Conflict Conclude Interest. \*\* Ordilate Conflict Confli

of required we could furnish evidence of this procedure for perusal by means of commercial sais/purchase confirmations, between buyer and seliter, which clearly with the heading inspection:

quality/quantity to be desmained by mutually acceptable independent imperior interference and statement of the final and binding for both parties, safe fraud or entire, costs to be abared 50/36 bayer/ealler.

Sheli international Trading 4 Shipping - "Mikoloas" loading.

Our previous report to the UN advises the sequence of events regarding this loading.

The question from the UN Auditor seems to revolve around the statement Thow a different crude was loaded\*? Our answer is as follows:-

3.1. The Botas terminal was originally designed primarily as a loading serminal.

3.2. There has never been more than one valve separation between

the distracts and the loading line systems, a factor which was noted during initial site visits regarding the matering systems.

3.3. The vessel "Gebra" was discharging, for the account of Tupras, during the initial stages of the loading of "Nikoloas".

3.4. On completion of "Gabra" discharge Botas approached the Saybolt team satting frey had observed a 30,000 bezzel shortage in received quantity (from the wessel, and that they ware concerned as to it's eventual destination.

15. The Sappoit team initially checked the valves aspecting the following the valves aspecting the term of the valves track to land in the valve and for the "there" is the two parties are for the "the two parties are for the "the two parties are for the two parties are the thightly open owing incomplete assiding.

3.6. We then stopped the "Micloss" loading, ulleged issession) the hilp's revis and Ordered the more return sincered for the Will obserting. This searches revealed that at the target, these was a 50,000 milled that at the target, these was a 50,000 milled that the "Milled and "The Will was the contacted percentage of the buyer at distant than 0, the problem.

3.7. After nome deliberation is was decided that the casps already blood to the face of which the bishold be dishoraged back to above, separes with unconteminated oil, and eventually to be used in a forthooming transfer to the Kirtikale setimery.

The about terminal was not specifically designed for the use it is being not to it. It is not set to the set of the set o

Pater Boks

In the case of the "Mikolosa" the UN/Sepholt team carried out their monitoring role and when the problem became appearer, as a result of their inferencian, Sepholt took steps to devise all parties to ensure that the "Mikolosa" loading was in the with UN requirements.

Kindest regards,

Saybolt International B.V. - Rotterdam

Telefax

SAYBOLT A Care Laborations

Fax number receiver : 00 1 212 963 1300

To an I United Nations Headquarters, New York
Attention : Mr. Steve Avedon : Mr. Steve Avedon
Swybolt International B.V. : UN Audit reply : October 27, 1997

In reply to your fax dated 24 October 1997, we would like to comment as follows;

Which of the two figures is closer to the actual quantity?

In view of the non-functional metering system, it is, as you know our procedure to measure:

1. The storage tanks before and after loading of a cargo (for reference and check).

2. The vessel is measured after loading, whereas the vessel's measurements are adjusted by Vessel's Experience Factor (VEF) and On Board Quantities (OBQ).

The measurements described under point 1, serve is neferance and others, and the figures are recorded and attached, against possible frature sequences that order to the relatively only finise up an initial to stronge total were independently estimated the control incidualism described under point 2, is consistent the new sources determination, in the absence of accurate meterring facilities, for manifesting purposes.

The difference of 24,821 barrels GSV can in our opinion be ambused to the loading of the Tv. "Historia Pressigs." This reseast entrod in Ordynack in Ordyna Atten are transhed priced in dry dock during which thermitons were made to the dock tillage points to allow use of MACA-type measuring appearure. The vessel's calibration charts, as presented, were not adjusted for this streatural alteration.

On completion of bading there was an apparent difference between the vessels figures (by reference to arthration chief with a billows.

Vessel
Since 10 Sinc

How has the difference been adjusted?

After consultations with the LIV Oil overseast and local SOMO representatives it was decided not to devisate from the procedure and team or satisfarment of the outsum of the vesset as adjustment with definition of the vesset as adjustment with the derivation of the satisfaction of the vesset as adjustment with the derivation of the vesset as adjustment with the derivation of the vesset as adjustment with the derivation of the vesset as a support of the vesset as a distribution of the vesset as a distribut

SAYBOLT A Constantion

This adjustment is in view of the difference (26,851 barrels) over the entire period in our opinion justified.

The adjustment has however as far as we know not yet been made.

Did not the buyers claim refund?

Ouviously the buyers are, as a rule our involved in the measurement that are done for performed check. By Sapholi the organization that takes as UR observes. Measurement belief in lating it beased on the vessely management in adjusted by Vassel's Experience Tateor (VEF) and On Board Quantities (OBQ).

However in the case of T.v. "Histria Presige" the bayer has claimed refund, as they noticed consistent with the differences observed in loadport, an outhurn loss at the discharge port.

Why difference arose?

Explanation is given earlier.

Could Saybolt have prevented this difference?

Separate from the acceptable differences which will always occur, in view of the retainvely long time span since the storage tanks were independently calibrated or measurement error's with temperature readings or subadings, the difference in the case of Tv. Flight, Predige's exceeded the acceptable difference and it was brought to the attention of all parties concerned. Subsequently it was decided not to derivate from the procedure.

Stove, I trust this answers the queries, please contact me in case you need some clarification.

It is therefore that Sayholt can not be blamed for this difference.

Best regards,

CONTRACTOR CONTRACTOR OF THE BOOK OF THE BOOK OF THE CONTRACTOR OF THE STATE OF THE	We noted in the test check that there was by and large no isometation in the test check that the same contract the local to be stabilished, confitted and sempled as least even days prior to be stabilished, confitted and sempled as least even days prior to be stabilished, confitted and sempled as least even days prior to localize the law is more than the land to be stabled to the sum of the same that is not least the same that the same of the same is severally that the the same of the same that the sam	claim of Entitions Late to thisse, there are severe, and sentential and severe completed on 3s March. The locating of the above vessel at Cycles was completed on 3s March. The locating of the above vessel at Cycles was completed on 3s March. The locating of the above care (1998) and (1	11/21/11 EEN 11:14 P.W. 11:1 ess sist; source of ACTICOS 12001.
Soft of the father than the second state of the second state of the second seco	And Tri. Mr. I Respondent to the Control of the Con	pouried our wast cancer of rescand the handes our mages, legistry tourist duck that it is nominated to the annual registry by the Committees and wast with the programme.  Sign and vertices of the Committees and the best spread that the programme.  Sign and vertices of the committees of the best spread that the programme.  We need that he programme in Beet as and a May 9 during the interface in Interface in 100 decreases and a second that the same than the programme in the committees of the principal production were of a long that a large registry domain and the programme were of a long that second the programme were of a long that second the committees of the principal production were of a long that second the committees of the principal production were or examination on the committees and the committees and the committees are instituted by an examination of the committees and the committees of the transfer of the committees of the co	Tytels and titel and titel and titel and titels and titels and the titels and the titels and the titels and the titels and titels an

Fixes INVESTIGATIONS APR/AV6 2007

May 16th, 2001 and August 27th, 2001 "Exeter" loading investigations Mina al-Bakr, Persian Gulf

Location: Description: Subject: Dates:

Section 1 - Summary

oners, terms and conditions of contract which requires the contractor, or artist, from any striction backs my expense, wife, or artist, from any striction backs my expense, wife, or artist, then they reduce the or artist, the fact of the order of the conditions. The special that they would comply with the requirement of that representing porthers.

The out understading also, action of saybolt to act as an agent for both the state and the buyer is not commission with the normal openicial presention.

2. Shall Dimestrational Trading and Snipping Co. - Himlons loading at Coylan

In view of the responsibilities of SAVENTA sericions in Article 4 of the Contract between the OR and the RAYENIA, they are required to sonifor the export of Itsuff oil. we fall to understand how a different crude was loaded with the Inspection Applies determined to worktor on after the movement of oil. This may be clarified to us.

Bapa

18/27/27 MOS 11:88 FAI 212 658 6511 VIGHT STOLIGHT AD CROVE

Contum Sent To NSID/Bosycot, NSID/Bosycot TO NSID/Bosycot, NSID/Bosycot

Gentlemen,

You will no doubt all be sears of the alleged illegal loadings from Mina all-fast involving the vessel "Essex", and the revised procedures that have been instituted at both Cophan and Mina all-fast ropework the possibility of soul occursonose in the factor.

Beating in along that the Suppoint monitoring operations at super and main actions as the control of the quality of respective to this effice and by particularity desertioned.

Eveptes, in no particular order of mette, ster.

1) fine logs with no completion, or seiling,
2 Mailing water with incorrect Rill of Leding
dies, and incorrect modification
of breats and the United Mattern has written to
Symptom of the United Mattern has been the particular that the last of particular that the last of particular that the last of the United Mattern has been an unscriptular.

He are a professional company appointed by a source of baseline that the control of arry out an important teat. If we are not seen to act professionally operated by a special or an arrange of the control of the contr

In our monitoring function we are the "syss and ears" of the Wintew Netions, and the quality and content of our reporting function is the only benchest by which the United Nations on judge our performance. Once discredited, confidence is hard to rebuild.

Since the inception of the "Oll for Tood" program in late 1868 abpool has done a treashdau amount of good work, Unfortunately it is only our mistakes that are noticed, and of late there have been too ears, Mistakes and ouisations will not be tolerated.

THE FOLLOWING ACTIONS WILL NOW BE TAKEN:

FAO: Kinga Doris - Assistant General Counsel

Core Labs Administration U.S. Headquarters, 6316 Windfern – 77040 Houston Texas U.S.A.

December 20th, 2001

RE: T V "Essex"

Dear Kinga.

As per our tatephone conversation of yesterday, regarding the matter of the vestel 1.v. Research; please find attached copies of documents from the working file held in Researchm.

Should you need any assistance on the identification of any of these documents please feel free to call ma. I am normally based out of the Sayboit Crode Division in London, but will be traveling in the during the earlier parts of January, 2002.

Graham Brett

cc Peter Boks, Saybolt, Rotterdam

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il to from exception of this message, the satisfied the property of this message, the satisfied from the property of the mentions of the mentions of the mentions of the mentions of the satisfied from the mentions of the satisfied for the form of the satisfied for 

We have an important job to do, and we must all ensure we work together as a team to provide the level of professional service expected of us. Thank you, Grabban Brett

If you are satisfied with our services do tell others. If you are NOT satisfied,

Now 22, rowl

You will no doubt all be aware of the alleged lifegal loadings from Mina al-Bakr involving the vessel "Essex", and the revised procedures that have been instituted at both Caphan and Alina al-Bakr to prevent the possibility of such occurrences in the future.

Bearing in mind that the Suybolt monitoring operations at Cephan and Mina al-Bear now mother the closure scruing from the United Wilstons, it is particularly disappointing to have to arbite you that the quality of reporting to this coffice and to the UN Oil Overseen has, of lan, significantly deteriorated.

Examples, in no particular order of merit, are:

1) Time logs with no completion, or sailing, times 2) Suiling wives with incorrect Bill of Lading dates, and incorrect notification of Partiel loaded. The Office of the Ine Program of the United Nations has written Sayokol on this matter.

I do not have to labour the point that this level of performance is unacceptable

We are a professional company appointed by a negler humanistrian consern to carry and an important and. If we are not seen to act professionally, expectally so soon after alleged illegal activities have have place under our very noses, then we will all suffer the consequences.

In our monitoring function we see the "upes and east" of the United Nations, and the quality and content of our reporting function is the only becomment by which the United Nations and judge our performance. Once discretized, confidence is hard to rechain.

Since the inception of the "Oil for Food" program in late 1996 Saybolt has done a renumedous amount of good work. Unformunately it is only our ministees that are noticed, and of late there have been too many. Mistakes and omissions will not be tolerated.

THE FOLLOWING ACTIONS WILL NOW BE TAKEN:

A) As from reveips of this message, both the Cephan and Mina at Bakr operations will advise, as part of the daily report, comprehensive intex big scrivities per vessel covering at minimum has following times, gall over a number of daily entries as they occur; expect to see all these times reported, further pertinent ofenils regarding de-ballishing the can be added as appropriate:

END OF SEA PASSACIEVARIVAL AT ANCHORAGE
NOTICE OF RELADINESS TRYDERED
PLOTS ON BOARD
LEIT ANCHORAGE
FIRST LIPE ASHORE
ALL FAST BERTH No. 9
NOTICE OF RELADINESS RECEIVED
GANOWAY IN POSITION

TREE PALTONG OR ANTED

GROSS STRAYTS CONFLECTED

COMPLETED LOADING

COMPLETED LOADING

COMPLETED LOADING

LICAGUS AM AMMERICES DISCONFLECTED

ULLAGUS AMD SAMPLES COMPLETED

POCCS OR FOLKED

VESSEL SALLED

B) As from receipt of this message, the sailing wire to the UN Oil Overseers MUST be counter-checked by at least one other member of the monitoring team before despatch.

C) The sailing wire will now be agand by two members of the Saybolt monitoring team, as follows:

C. J) The improctor who properes it, and,
C. J) The improctor who obesize it.

D) Whenever you have a problem, need advice, or require guidance on any matter, call. I, or Peter Bolts, are always available, we need to know about, and read to, problems BEFORE they happen, rather than after.

For the record, my contact numbers are:
Office 44-37-20-171
Mobile 31-653-975896
Home 44-1707-271794
E-road gatharn, bretificartoolin

We have an important job to do, and we must all ensure we work together as a team to provide the lovel of professional service expected of us.

Thank you,

Graham Brett

Dear Jorge,

To, seybot, portugal@pt.pt oc Graham Breet/Seyboth/4.@Seybod boc Subject, Mr. Mimilia Converse Prest Boundayboahi.

The reason is a recent error of judgaent, which we can not tolerate from a tesm leader. Unfortunately, we have to discontinue Mr. Armando BAMBHARBER's participation in the UN Progrem. Please let me know if you have an alternative candidate.

I look forward to hearing from you. Mindest regards,

Peter Soks

17 you set stiffed with our services to the services to the service to the servic

Configuration in this message is configurated. It is introduced solid to the discussion of the discuss

To seybol ponuse@bux oo Peer BotesDeypoelML@Saybork Richard Bennee@Saybork boc BOCE STATE FROM PETER BOKS

Graham\_Brett@saytock\_ol 02/27/2002 05:36 PM

FAU HR JORGE GONCALVES

As per manage from Fotor Bolt reparting Amenico discussing planes be advised to the best and the state of Carlot separal separal for this sewal separal block that sewal. Bergins places the westal bergins in the desired person in the sewal bergins of the best separal blocks as a largely and the best separal of discussed this series effort and the sewal separal blocks are sevaral should be common ladding victors to the sewarely large to the series and sewal should be the sewal best sevaral should be the the sewal best sevaral should be the the first the sewal best that the sewal sewal series that the sewal 
The message further says that "if you have any problems, call me".

Memorbinas I came income yellon on the following any tiden that the venesh "Cookin" has commenced the service of credit amendment; and I had not received any shill at loos, I came the way to Letter of Credit amendment; and I had not received any shill at loos, I came to the service of the service that soon had decided to land the venesh although he had envised the thin this time this was not spoosed to be not of the service of the visit and the service of the service

I sated tha why he had not called me. We said he did not think there was snything T could do about the situation. I aimed him on what grounds he fait he could man decision on behalf of the inited Amition. We said he was sorry that he had not called me as instructed. The struction then required ms to call the United Nationa (1) Operance in the andies of their specific and the contract of their specific instruction, the variet had commenced leading without then burn informed. The amendment to the latter of Credit was not available until Seturday as GET. I think torther comment would be requisibate.

Graham Brett

 Whele jurglete Saybolt operational procedures for kinn as, Barg and Ceyhan, based on AT Chapest I. Crause Oil Leading requirements, and Racering in additional requirements weating from 661 Committee Mentage, for additional requirement vestings from 661 Committee Mentage, for a chape of the Committee Mentage, for a chape of the Committee Mentage, for a chape of the Committee Mentage for the Committee Mentage of the Committee Mentage of the Committee John Potts --2. Prepare Action Plan for submission to OIP, for consideration by the 661 Commission defined members of actions for the first prepared for the above the content of system at Mina above the content of state of the content of the co 6. Attenge dus sessions in which decommended world be brinked. Team Leaders to advise, verbally and by "e-mail", of any problems encountered during a loading including OBQ and VEP disputes. Arrange audit of Mina al-Bage (and Ceyhan77) crude oil loading operations. In refraepect, possibly better carried out by Kons Paardshooper (or his new infaktonent)? faires of staffing turds THINGS TO DO: Bush dy. 2) The LC approval for the "Frant Christ" is valid until Feb 14th, 2002 and 1f Down wessel, in Landerboay Defect this appoint a pagine (40 2315) but Estern Stocker Ties and brief has local time Todg (1 my comment loading (1 Ties wessel ) and now spot to comment loading by this time than it will have to easily an esternial properties. 1) The L/C approval for the "CLOYGIY" has expired on Feb 13th, 2002, and this statements loading until an amandemnt has been received from the UN Vertages: Medierence our recent conversation please note that I have discussed the Letter of Credit approvials for the wassals "CLONELY" and "FRORT CENTURY" with the UN Oil Oversean Labander Keaser as follows: If you have any problems, please call me at homes may adulte has ceased to function to please call the innefine on 4e-107-271781.

Grabus Bents
Grabus Bents The information in this manage is continued as a part of the provision of the information in this manage is provided in the information in this manage is provided as a second of the information of the information in the information of the in If you are satisfied this har sprices to call contain the satisfied, place of call us of call complete, can complete, and for purpose of call use of captures and captures are captures as captures as captures as captures as the captures and captures and captures and captures and captures and captures and captures are captures are captures and captures are captures are captures are captures and captures are If you are satisfied with our services do tell others. If you are NOT satisfied, please do tell us: 14/02/2002 17:22 Tu: NB1388aybolt cc: Peter Boks#3aybolt Subject: L/C's Desr Armando,

EST COMMITTEE MEETING EN HT HOV 5. TO 5TH, 2001 ACTION PLANS

5023726

5023727

Dear Benon,
Just to solvise you that two investigators visited our offices regarding the illegal crude oil loadings from t-ha Al Bake in 2001. Apart from an interview they laid dains to the following documenta:
<ul> <li>Our Proport on the alteged backings of Chude Oil from Mina At Bakr outside the UN O: for Food Pergramme dated October 17, 2001</li> </ul>
- four photograph's from Mine Al Bake
- two minps of the region
- a copi of our time sheet and ullage report of the loading dated 16 May 2001
From the discussions, it became dear that Septors is not suspect and that they are all investigating whether Trafigura will face criminal prosecution.
Kindest recends.

"Exeter" loading investigations
May 16", 2001 and August 27", 2001
Mina al-Bakr, Persian Gulf
Legal papers and correspondence

Subject:
Dates:
Location:
Description:

Section 2 - Summary

to all business. It has to secretar from the field Steek Journal who did that indicates that we had storm pariticates additionally with the food for all program and some difficulty into who appliates all legislates and following exactles thousand for larvest of all part. It's impracts at no ill picked mit the control of the hy repoiling from the process and the all under stands the first process and the	has an experience of the control of	in which is the first from the side of the
Bocummeter. Oversich for. 119.0 119.	Respond act, ab KNI. Whitse report, oversidd beautyr	
Los balles -		

23/21/2003.
ECD De hav Boor
H. Me Lons:
Tr. - Essen

# MONITORING OF CRUDE OIL EXPORTS FROM IRAQ

The measurement of cards and ratioed petroleum product volumes and weights is earried out internationally to recognized published standards resulting in uniform reporting thats altowing weckents comparison between leaded and discharged volumes for fiscalization and loss control assivines.

The standards adopted are those published by vertious becaused committees of experts acting independently under the guidance of non-profit waking international standards organizations such as the American Petroleum Institute (AP) and the Institute of Petroleum (IP).

The monitoring of crude oil exports from iraq differs from normal international practices in that:

There are currently no internationally acceptable measurement systems operating in either of the loading facilities involved in the "Oil for Food" contract, the exported quantities are therefore ascertained by reference to the loading vessel's calibration chara.

The monitoring role requires that all crude oil exported from Inq under the "Oil for Food" program is fully accounted for, and that no diversion of the oil from this intended use can be made.

LOADING TERMINALS.

Crude Oil Exports from Inq are currently delivered to sea-going vessels from either the Ceyhan Tark Farm in Turkey, at the end of the Imo/Turkey pipeline (ITP), or from the Mina Al-Bakr oil terminal at the head of the Culf and are reported to the UN Oversears on a ship-by-ship basis.

LOADED VOLUMES.

The rolline delivered at each loading is calculated by reference to the wessels calibration chart or the control of the Color (gaser) and the verse of the control of the

DELIVERIES FROM IRAQ.

Deliveries from Itaq to Turkey, via the ITP, are monitored out of Iraq via the MS-1 metering station at Zabto, and into the Ceytan Tank Flam, Turkey, and reported to the UN Oversees on a 24 tribus.

All loadings to wessels are monitored by Sayboit staff at both intralibitions, and a full loading report is issued to be UNO Overgrees from the Sayboit self-backed monitors and collect all content and movement data, reporting direct to the UNO Overgrees both by Fax and electronically by the UN Dutabase which is updated automatically every 12 hm. REPORTING PROCEDURES

I. CEYHAN

Storage Tanks

There are 12 units in the terminal available for receiving and delivering of crude oil with a espacity of approximately 780,000 US Barrels each; at the moment tank D-602 is out of order. Maximum usable espacity is currenily 7,480,000 US Barrels

The storage units have Ernf fewel indication (automatic stack graging system) but it is surelished and is no acceptable for exlocation of Vesself loaded quantities, or for quantities delivered by the TTP from Iraq. All such measurements are therefore effected by band measurement.

The metering system is not functioning, atthough the meter provers have been re-calibrated at the commencement of the "Oil for Food" program.

Loading Sacilities

There is one jetty with four loading platforms for vessels from 25,000 Mt. to 300,000 Mt.

There are 3 segregated lines for loading from the terminal and one live for discharging into Tupres Terminal, and the discharge of beliest.

The in-line sampling apparatus is not efficient, and needs replacing. Manual line samples are therefore drawn by the Saybolt inapoctor every 10% of the loading, for quality analysis,

Quantification of all received from Ing via the ITP,

Every 24 hours a comparison is made between the Erraf (auto-gauge) figures and those savised from MS-1 on the border of iraq.

Both manual measurements and temperatures of the shore tanks are recorded before and after receiving from the ITP, and volumes ascertained calculated to Gross Standard Volumes.

A companison of received quantity c. f. the MS-1 measured quantity is made on both a daily and monthly basis. Any unusual discrepancies are investigated and resolved.

Prior to commensement of loading, Saybolt ensures - in conjunction with the UN Ownesse in New York Lark for each enter there is the time to be a ceremi contract determined the bayer and SOMO, then is a Lister of Chedit in place (approved by the Oversceny); and that the volume to be loaded in fully covered by the Letter of

After berthing the vessel is inspected and any residute of previous cargoes left on board - the "OBQ" quantity (either oil of water) - is determined by the Saybolt inspector.

The Vessel Experience Factor (VEF) is agreed with the master of the vessel and is used for calculating the Bill of Lading figures.

The nominated shore tanks will be manually measured and manual temperature taken, for comparison only.

The in-line sample container will be inspected for cleanliners.

After loading the vessel will be manually measured and temperatures taken.

The in-line ample will be collected and analyzed by the Saybolt team. The Realist Dentity will be used for calculation of the Bill of Lading Figures; gooss and not figures are calculated.

The utilized store tanks will be manually measured and manual temperatures takes for comparison only. For comparison only. The Bitle of Lading figures will exiculated taking into account the OBQ and VEF

The Bill of Lading figures will catculated taking into account the OBQ and VEF measurements, and after comparison with the shore tank figures, advised to the Irrap personnel present at Ceyhan.

Pipeline transfer to Kirrikale Refinery, Ankara:-

no annuor to paratrane protesty, annana. The same process occurs except that the oil is transferred to the Kirrikale Refinery rather than loaded in to a vetael

2 MINA AL-BAKR

Mins at Bakr is located about 50 km out see from the Port of AI Fao. It is a steel structure about 1000 meters long.

The Terminal consists of two loading platforms with two berths per platform interlinked with moting galfants, generang peldorns and as commodation block. At the sorthern and is the platform supporting the accommodation block and at the southern as the platform supporting the accommodation block and at the southern is the platform supporting a Helicopier leading pad.

The Mein Loeding platforms support all crude oil pipes, meter akids, chiksan loading arms, independent control rooms and emergency generators. Platform A is the roothermoss platform.

Berth numbers I and 2 are located at Platform A, berths 3 and 4 are located as Platform B. Berth No. 3 is designed to accommodate the larger ships up to 300,000 deadweight

tons plus and berths 1, 2 and 4 can accommodate ships up to 250,000 deadweight tons.

In between the loading platforms are other platforms for Main Generators and for mooning dolphins. There are two generator platforms with two discast-powered generators per platform. The total number of platforms making up the terminal is 12.

The Terminal was commissioned in 1972. It was destroyed during the Inscrited, war adjusted selected to the first of 1974 in the excessional block and 1984 for a Tailorn A ver steed by the strong observation to construct, however, during the 1984 for the war spain destroyed, all the large yay was the strong that has been compared by the yay labor do only. Contraction materials, page and equipment to be one manifold that the strong comment of the strong the Saudi Old Construction materials, page and equipment to the construction function in the sectors of the Saudi Old Construction materials, page and equipment is the electrone that the construction in the sectors of the Saudi Old Construction. The remaining of the war damage.

There are two 44-inch diameters Crude Oil Sea Lines from AI Fao that extend to the terminal. A 44-inch diameter branch line from each see line is connected to each loading platform.

ding amendana

On Each Loading platform are two berths, equipped with four 16-inch diamete steel hydraulically operated childson loading arms.

Metering, The Meter Skid on platform A consists of Turbine meters with local and remote readout. The Meter Skid on Platform B consists of PVD meters with local and remote readout. There are prover loops fitted at each platform.

Sampling, Borth No. 4. On platform B has a "Weller" sutematic sampling device. The device all after facilities of your pre-sex great settings and device it and secure when loading area are facilities at they do not his arminal. It is not literature they do specifical. There are no sutematic sampling devices at may other bent. Sampling and, allowed they are not sutematic services at may other bent. Sampling and, allowed the sampling and allowed from sempling peto on the facilities and such they determined they do not seek that they are present in pre-elementations and confidence size this is the only way to expend the contrast and confidence size this is the from ideal or securation.

Bills of Lading and Cargo Documents.

Calcutations are based upon the ships measurements of quantity of crude oil oil andeed, is as no years from the loss of best per sensitive the maintain standard volume than has the Vessel Experience Peteor (VEF) spipiled. For exclusion prepares ASTM tables 24A and 29 are used for volume and weight determination.

\$023765

# Report on alleged loadings of Crude Oil from Mina Al Bakr outside the United Nations Oil for Food Program.

Mins all Bater is located in the Peraian Gulf about 50 km offshore from the experiment of of A Fac, it is a sed sententer about 1000 meters long. The Terminal consults of two loading platforms with two behap per platform inter-linked with conting platforms, generated pultforms and an accommodation block. At the northern end is the platform supporting the accommodation block and at the southern is the platform supporting the accommodation block and at the southern is the platform supporting a Helicopper lending pad.

Berth numbers I and 2 are located at Platform A, berths 3 and 4 are located at Platform B, berth A, 3 is designed to accommodate the larger ships up to 300,000 deadweight tons plus and berths 1, 2 and 4 can accommodate ships up to 250,000 deadweight tons.

All meters are read once every hour, and collected into twelve-hour batches.

Every 2 har (i.e. two busines) a compartient is made with the received quantity in Coyban. All data is recorded locally both in hard copy and electronically, and seas to Rosterdam on a 24 hr basis.

The metaring station is mechanically isolated (speeded off) from the moin pipeline and is non-operational. It is presently being repaired and prepared for future use together with the 40° pipeline to Ceyhan.

Motering Operations.

46" Kirkuk / Basrah Crude Oil Metering Station

As a further back up (in case of casastrophic meter failure) the storage tanks as ITI-A (where the old for transfer to Thirtyle is bulked prior to transfer) are guaged even; 12 has and volumes estentiated by reference to their calibration charts. This volume is then compared to the metered volume over MS-1.

The metered volumes recorded at M.S-1, and the received volumes in Cayhan, both daily and cumulatively per program, are reported electronically to the UN Oversers on a daily basis.

The Terminal was commissioned in 1972. It was destroyed during the history are during the eightes. An the noal of this work as economolation block and Lodosing Platform A were rebuil by international contractors, however, during the 1991 was both were again destroyed. Since the 1991 were the terminal has been completely rebuilt by Ingel labour only, construction metriks, pipes and equipment have come makinly from the

On 9 October 2001, the United Nations Oil Overseca received a letter from a Mr. Chiladakis Theofanis: Mr. Theofanis was the Master of TV "Essex" which has frequently loaded Basra Light Crude Oil at Mina al-Bakr.

According to Mr. Theofanis, there have been two occasions whereby after complicion of the UN approved longing operation, and after the UN Inspectors lading operation, and after the UN Inspectors left the vessel, additional volumes were loaded on board the vessel, Mr. Theofanis enclosed with his letter supporting evidence.

## The Loading Platform at Mina al-Bakr

The original telecommunications and data acquisition system (SCADA) which had been designed to communicate the mark sitiation aboves in the meeting sation MS1. [17]? Purp stations/start from said Captan in Turkey have been started as MS1. If 17[2] amp stations/start from said Captan in purpyelgyeneuer data with expect to supleasement and the with the purpyelgyeneuer data with expect to supleasement promping operation and have only one are initialishe telephone life. The 40' pipelies from expecting the expection of experience of the purp station of the purpose of the transparence of the purpose of the purpose of the transparence of the purpose of the purpose of the transparence of the purpose of the transparence of the purpose of th

Three of the four crude oil metery/flow computer combinations are operational and functioning. The furth flow meter/troupsing conditioning and aumentor (Libersan - which is faithly cannot be used owing to lack of spare parts and this system is currently mechanically isolated from the pipetine flow.

40" Kirkuk Crude Oil Metering Station

The Zakbo meering susion is situated close to the border between Netchern fing and Very work of therefore metrity stated as their tips point with the supported volume from that are accordance. There are two polations to all no from Iral (size they are (40°) it controlly in sus, the second (46°) is not used and fine to current meeting belinites in operation.

3. ZAKHO.

The Main Loading platforms support all crude oil pipes, meter skids, chiksan loading arms, independent control rooms and emergency generators. Platform A is the northernnost platform.

In between the loading platforms are other platforms for Main Generators and for mooring dolphins. There are two generator platforms with two dissel-powered generators per platform. The total number of platforms making up the terminal is 12.

the terminal manager, and a Bill of Lading for the amount of US Barrels 1,199,730 or gross mirrot connex 437,1324 was presented by the Minna Habatr terminal and signed by the Mater. The same quantities were reported by the UN monitors to the UN Oil Overseers.

After the completion of this loading, and all documents were signed and the UN monitors had left the vessel, loading wast rearmed after one hour without informing the UN monitors. The vessel loaded an additional 22,975 about a state of the vessel state were remeasured. The revised ullage report was signed by the master and the terminal covering the additional quantity, which was signed by the master and the terminal covering the additional quantity, which was signed by the Master. By comparison with the Volfach "Bild of Lading suits issued by the Master. By comparison with the volfact" Total Quantity to Radio and the sear to be prepared with a different formly-perfece and has no SOMO logo. Another Gocement satisfar "Total Quantity to Radio was allowed by the Leave of Coderi sprowed by the Literal Volfach State of the initial quantity which was allowed by the Leave of Coderi sprowed by the Literal Nations, are a glowed by the Cattle Master and a state of the contrainty of the contrainty of the Coderic Volface and the representative of Facilies Nations, as a glowed by the Cattle Nations, was a glowed by the Cattle Nations.

The voxed than proceeded to the East Coast, USA, where part of the cargo was discharged at the Loop, and the behance at South Stehne. On arrival at the coop the vesselvers of ango tunks were measured to the character cargo impostor who confirmed the cargo to provide to a 240,345 stands to expend the cargo to any and the cargo to the country of the country of the volume measured in the vessel surface by the United Nations monitors at Man at-Bair on completion of the totaling.

#### 2" Londing

Vessel was fixed by Tarfigura to load 1,800,000 barrels Barnh Light at Man a Labbar terminal. The same potentiers at fair loading was flowed. On compelent of the barding, the volume of oil was measured in the normal way by the week, the terminal manage and the Normoliers. The vessel's uling erport was signed by the Maser and the terminal manage, and a Bill of Labing for the amount of US Barnels 1,788,300 or gress metric tenner 246,473.510 was presented by Maria at-Balte ferminal and signed by Maker. The same quantities were reported by the UN monitors to the UN to UN overseet.

After the completion of this isolating, and all documents were signed and the west, for the research of the mean work on how without informing the UN manitors. The west leaded an additional state of the which the treased that we re-measured. The revised takes require was signed by the master and the terminal revised takes require as tigned by the master and the terminal eventual particularly which was signed by the common covering the additional quantity, which was signed by the factor of the terminal covering the additional quantity, which was signed by the Master.

Comment entitled "Trada Quantity on Band", verying the additional quantity leaded on top of the initial quantity which was allowed by the Latter of Chelit approved by the United Nations, was aigned by the similal appearanchies and the representative of Ruleon Navigation, the Orest representative of Trafform who was about the vessel at Ball time.

The vessel is scheduled to discharge the cargo at South Sabine, US Gulf Coast on, or about, October 14<sup>a</sup>, 2001.

The Master of the vessel at the time of both the above loadings has appendited to the United Nations Oil Overseers copies of all relevant documents.

#### The Facts

#### 1" Loading

This loading was covered by the United Nationa Oil Oversteen Lotter of Confidency Approved May 1<sup>8</sup>, 2001 confirming a Leave of Confil (1891 Feb. No 17771182) for Euro 38,500,000 to be insued on behalf of Ibox Binegy Ernace against Confers. No MADNSI for 1,800,000 barriet ++-5% of Bacant Light Confers. No MADNSI for 1,800,000 barriet ++-5% of Bacant Light Confers (io USA on MT "Essex" or sub with latest shipman date of May 2.5, 2001.

The vestel berthed on Berth No I at Mina al-Bakr, commenced loading at 17:45 hrs 13/05/01 and completed loading at 01:50 hrs 16/05/01 and the flaxible hoses (chiksan arms) were disconnected at 02:10 hrs 16/05/01.

Measurement of vessels traits and subsequent calculations were completed at 64:00 hts 1605/01, and leaded volumes submitted to the SOMO abspired as 06:00 hts 1605/01. The vessel subsequently sailed at 19:00 hts 1605/01.

At no time after the completion of the loading of the volume approved by the United Nations Oil Overseers were the United Nations monitors advised by the terminal that a further loading was contemplated.

#### 2" Loading

This loading was initially covered by the United Nations Oil Oversers Lear of Chedit Approved ald Judy-2, 2001 confirming a Letter of Credit (New Port 2012) 174 for Euro 46,000,000 to be issued on behalf of hear. Energy Fentor against Contract No MiTOMS for 2,000,000 barrish et -1 5% of Beart Light Ched Oil to USA on MIT "Shens Companion" or sub with least shipment does of July 206, 7,2001.

October 16th, 2001

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It is normal practice that on completion of measurements and calculations and beautiful to the Styloff (file) (in the commondation module and family the North) to complete the calculations which are their passed on to the SOMO representable for the Bill of Lading preparation; and to prepare the official "Notification" comments which is then returned to the vessel where the Masser signs for receipt.

The Team Leader added that, as is the case on Mina ai-Bahr (and indeed most efficient longing patherna) be had mar with Capaina Chalaskis: Theofasis over dinner on more than one occasion and noted that he was a series of more than one occasion and noted that he was a series of more than one of the series of the was a series of the was a series of the was a series of the Series of Serie

The Team Leader was closely questioned as to how, on two separate occasions, the leading best had been re-connected to the VT Tissex" and several intuded thousand barries of oil loaded without the United Nutions monitors noticing these events. The team Leader, who was wishly shocked by the events as described to him, answered that on conspliction of their monitoring duties the Stybolt staff traded to remain within the accommodation module as the external temperatures at that time of the year (May 37-44C), August 45-46C to bow with 10GN humfelly were such that any outside schittly ment severe discorder, and was therefore society. The mentioning staff tends to keep to becausely as the second controlled and resety ventures outside unless there is a vessel to be strended.

The Team Leader confirmed that a loading could take place without the monitors bearing as one moded to be within a few feet form the incoming sealines to hearings the vicended to be within a few feet form the incoming sealines to hearing the vicenteerine of the incoming oil, which are easily visible and would above a high reading it oil was flowing. The Styboli forfice and the majority of the monitors accommodation faces North and therefore there is no "line of sight" to the beath; the Team Leader's accommodation, below which in the Superior meas room, and the accommodation models but the view to Berth No it is limited by the window construction (be mess room is set back on a floor below the accommodation) here with o'line of the commodation) here with o'line to a few to be the below the excommodation) here is no "line of sight" to the compre of the vessel whare him eventurestien would be noted.

In his professional opinion, the Team Leader considered that the allaged volume of oil loaded to the TV "Essex" after the official loading on both occasions would, under normal circumstances, take 5 to 7 hours but could

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is was later mended as per Amendment No. 2 of August 20°, 2001 changing the unmber of barrels to be shipped from 2,000,000 to 1,800,000 beauging the name of the vessel from 78ma Companied No. 25ma Compan

The vessel berthed on Berth No I at Mins at Bakr, commenced loading at 15:00 hrs 27:08:01 and completed loading at 19:20 hrs 27:08:01 and the flexible hoses (chic-san arms) were disconnected at 19:50 hrs 27:08:01.

Measurement of vessels ands and subsequent calculations were completed at 22:00 birs 2700801, and loaded volumes submitted to the SOMO shipping office at 24:00 birs 2708201. The vessel subsequently sailed at 11:00 line 2805501.

At no time after the completion of the loading of the volume approved by the United Nations Oil Overseers were the United Nations monitors advised by the terminal that a further loading was contemplated.

#### Remarks

It is not uncommon that on completion of a loading the vessel ternains on the berth alongside the terminal (sometimes with the hoses still connected) for the following reasons:

The vessel is waiting for the uncet high ide before sailing.

The pilot and the update are not evaluable (these crift the used for its early market to unch from these).

The vessel conditions, expected by the pilot will not more bearing yield, are such that the pilot will not more bearing told we wast.

Suitandom of the spatiality system, may require manual operation to discounce the loading street.

## The subsequent investigation

In order to theroughly investigate the allegations made by the Master of the wester "Exer" on the bedingst propored have. In "Tarm Lasder who was present at both leadings, and who is a Sayboit employee for 6 years, related to the relationship the part of the party of the party of the party of the party was flown to the Sayboit Head Office in Rotsedam.

He confirmed that the standard Saybolt procedures for the calculation of white loaded to weak under the offer Fe Pool Pagem was applied in both cases, and that nothing unovered was most during the procedures. The acad such measurements not the fits loading of the Tasket, were carried out by one of the Saybolt impactors and the measurements and

October 16th, 2001

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have been accomplished within 3 to Alone, but was astonished at the state of the st

Finally the Team Leader confirmed that the United Nations Monitoring personnel present on Mina al-Bart during both events were all responsible and bard-working staff with no evidence of any personal problems whatsever.

Concommensation of leading voted therefore such be noticed by the United Nation monitors if have use consistent to will South slong the platform towards the 4 borth send the helicopper paid at this South end. This would may be required if it wested was benthing or completing leading, or at the specific required (if wested was benthing or completing leading, or at

The choice of when to earry our such an additional loading—when there is no other activity on the patietrem requiring the presence of the United Mainton monitors—would therefore be of paramount importance, to which would also apply a number of other factors including:

- A vessel on which the officers and crew were willing to become included in the wild which well have sufficient capacity to load a significant carts volume of still after boding the official UM sproved volume without exceeding the limited darth availability at Main at Bahr.

  A buyer in the chain of sale that was capable of rarenging such an illegal activity with the supplier, and had the capacity to sall the proceeds.

  The implicit involvement of the rapplier, both on the platform and on shorn, the learn to of the rapplier, both on the particular and this was the both load in both headings in question) as this was the both learly load to be overload in the eccumendation module by the United Nittens medicinon as

An investigation into the berthing situation at Mina al-Bate either side of the wool boddings results that on bloodings reads that on their loading the "Enerse" continued loading until composition of the official pared loading at 01:50 har on May 16", 2001. At this time there were no other verseib berthed, and 3 vessels on the anadomogus sollows:

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a) "Kraka" arrived 01:50 hrs May 14", 2001 b) "Astro Beta" arrived 10:00 hrs May 14", 2001 and confirmed by SOMO c) "Skopelos" arrived 17:30 hrs may 15", 2001 and confirmed by SOMO

Normal SOMO procedure would be to berth vessels in layean rotation; following this there were statings to beth the "Asto Beal" during the day of Aday 16", 2010 which failed as result of "very strong winds, berthing of ris vessel was also cancelled during the day of May 11", 2011.

As a result of the above, we may conclude that it was a deliberate decision to delay berthing of the "Astro Beta" to make certain that chances of Saybolt staff attending the platform's were minimised.

The second loading of the TV "Essex" commenced on Berth No 1 at 15:00 has no off-great 2.54\* 2.001 at which time the "Sectebelly" was loading on Berth No. 3. The "Sectebell" completed loading at 22:55; har on August 2.24\*, 2001 and sailed at 11:30 hrs on August 2.74\*, 2001 and sailed at 11:30 hrs on August 2.74\*, 2001 and sailed at 11:30 hrs on August 2.74\*, 2001 and the basks were suspected at 08:000 that August 2.74\*, 2001 and the basks were suspected at 08:000 that August 2.74\*, 2001 but the loading stars were connected at 10:000 basted days were wailing for the layens to commence. The loading arms were connected at 11:45 hrs on August 2.85\*, 2001, and August 2.85\*, 2001.

The loading of the "Essex" completed at 19:20 has on August 27\*, 2001 meaning that from this time well then the stained is 11:00 has on August 22\*, 2001 no monitors were required on the patellorm at the loads were not connected to the Osters of the patellorm at 28\*, 2001, connected to the "Dates of Mean" with 11:45 has no August 28\*, 2001.

Also here, we may conclude that it was a deliberate section, all the more as a wave netword with initially the T. "Steam Composition" was necessarily to lead 2,000,000 bits ++7.5% under the comment fish(1000 bits ++5% with the time the comment fish(1000 bits ++5% with the time the comment fish(1000 bits bits ++1000,000 bits bits be leaded on 1,4" Essert."

## The implications on other loadings

For the purposes of this investigation it was considered necessary to review to all andings from that a-Baar full place, y. Barrel 10 to dark. These was chosen as level conside with the heightening of training periods were chosen as level conside with the heightening of training parametring the bedangs exemplified by the issue of port charges, extra payments exervith the Oil for Food program direct to the supplier and the issue of bi-monthly priving (OSP) policy.

All loadings during these two Phases were therefore investigated and the results are summarised on the attached spreadshoet.

For each vessel we calculated (where published) the difference between the published 95% loading volume capability, and the volume of oil actually

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loaded. Loadings where sufficient space to load more than 100,000 extra barrels was available were highlighted (any volume below this being considered not worth the risk involved).

For each of these vessels we considered the draft available (the maximum draft available at Mins al-Bak is 21.00 metres on the two of the tide) and deleted twois where the actual sailing draft after the official leading was close to this limit.

We then considered the amount of time available between the end of the foreign client leading and the satings there and vessels where there was insufficient time to engage in a second leading were deleted, where there is a sufficient valvolow. Time period to consider a second loading further loadings were deleted if there was other berthing or completing activity on other berths requiring the physical presence of monitors.

This investigation suggested that it was extremely unlikely that further unapproved loading(s) could have been effected during Phases 9 and 10.

# Actions taken since the information on these two unofficial loadings was advised

- On completion of all loadings at Coylan and Mina at-Bake after the disconnection of the provestic bottle blooses all vilves on the votes it the loading manifold are to be sealed, and the seal numbers noted.

  The seal numbers are noted on the "Vicilitation" document presented to the vessal before sailing, which is signed by the Master, which should be cheaked as their ginast price of independent of loading and the numsil formalistic through each will be no completion of loading and the numsil formalistic through the while he will be no completion of loading and the found to be broken the visual will be no-measured and the United Nations Oil Overseers informed accordingly of my significant changes.

In addition to the above actions it is recommended that the United Nations sometime radiaty is 1, respirations of the contract holders submitted by SOMO and approved by the United Nations Oil Oversean that they ensure an of nutries for the properties the place on one of the spored cargo volumes and that they understand the place of the properties of the properties of the properties of the vessels of the properties of the place of the properties of the properties of the place of the

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APPENDIX No 1

## Monitoring of Crude Oil Exports from Iraq

The measurement of crude and refined petroleum product volumes and weights is curried out internationally to recognize published sendent resulting in uniform reporting that allowing accurate comparison between loaded and discharged volumes for fiscalization and loss control activities.

The standards adopted are those published by various technical committees the operate atoing the dependently under the guidance of non-profit making international studentd organizations such as the American Petroleum institute (API) and the Institute of Petroleum (IP).

The monitoring of crude oil exports from Iraq differs from norma international practices in that:

- There are currently no internationally acceptable measurement apparance operation specifies involved in the 'Voli for Food'' contract, the exported quantities are therefore ascertained by reference to the loading vessel's calibration charts.
- The monitoring role requires that all crude oil exported from fraq under the "Oil for Food" program is fally accounted for, and that no diversion of the oil from this intended use can be made.

### LOADING TERMINALS.

Crude Oil Exports from Inq are currently delivered to sea-going vessels from either the Ceybarl Trank Farm in Interty, at the and of the Insq/Turkoy spipeline (ITP), or from the Mitta Al-Batr oil remainsh at the head of the Oulf and are reported to the UN Overseers on a ship-by-daip basis.

### LOADED VOLUMES.

The volume delivered at each loading is calculated by reference to the seast calculation charts adjusted for any volume of oil and water ascertained on beard prior to loading (the OBO figure) and the vessels experience factor (VED). This system, as proviously agreed with the lengi

authorities, is required as there are no securate and "in calibration" nestering systems operating at either Ceyhan or Mina Al-Bakr, or securate tank at Ceyhan.

## DELIVERIES FROM IRAQ

Deliveries from Ireq to Turkey, vis. the ITP, are monitored out of Ireq vis. the MS-1 menting station at Zahko, and into the Ceytam Tank Farm, Turkey, and reported to the UN Overseers on a 24 hr basis.

## REPORTING PROCEDURES

All loadings to vessels are monitored by Stybolt staff at both installations, and a full loading proprt is issued to the UN Oversears from the Suybolt Boate office, who monitor and collect all oil measurement and movement data, reporting direct to the UN Overseers both by Fax and electronically by the UN Database which is updated amountshally every 12 frs.

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Page 11 of 11

October 16th, 2001

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UNITED NATIONS ( NATIONS UNIES

SECURITY COUNCIL COMMITTEE ESTABLISHED BY RESOLUTION 661 (1999) CONCERNING THE SITUATION BETWEEN IRAQ AND XUWALT

S/AC.25/2001/OIL/1330/LC.156	7 May 2001
TO: MS. SUZANNE BISHOPRIC TREASURER	PROM: THE OIL OVERSEERS  THOUSE SECULIAN 986 (1993)
FAX NO.: 3-2086	FAX NO.: (212) 963-1628
	REF.: OEFOR-FOOD ARRANGEMENT
TOTAL NUMBER OF TRANSM	TOTAL NUMBER OF TRANSMITTED PAGES INCLUDING THIS PAGE: 1

SUBJECT: LETTER OF CREDIT

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                                                        The Lights are being thacked and changed/replaced. No accidents.
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co deal with various emorgencins remains unknown to us.

To: Renon Sevan's easuinglaunezy - Pill@School; cc: "Michael Tellinga" - "Michael Tellingat/Dip (DIP UNHAULHIB's Gintleub un.org > , "Alexandes ("man" - Atmass@in.org > "Septimal School" - septime@in.org > I confirm receipt of Worton's small and will investigate this matter throroughly. Will revert M4 452-by 1002/00/10 to clossesses/senses/sensesses/sensesses/sensesses/sensesses/sensesses/sensesses/senses/sensesses/sensesses/sensesses/sensesses/sensesses/sensesses/sensesses/sensesses/sensesses/sensesses/sensesses/sensesses/senses/sensesses/sensesses/sensesses/sensesses/sensesses/sensesses/sensesses/sensesses/sensesses/senses/sensesses/senses/sensesses/sense "Norten Buur-Jensen" cjenseenskun.org> on 10/09/2001 08:44;29 PM Subject: Re: Alleged Loadings of Crude outside UN Control Subject: Alleged Loadings of Crude outside UN Control Peter Boks 10/09/2001 11:19 PM Kindes: regards, Dear Benon, Peter Noks The above would lead us to believe that the Pv. "Dorast" is suspent, also because the Oracle prior to saling was Pore 18.5 m and Aft 13.0 m. Browner given the limited time for loading the vessel with additional barrels, this seem very unlikely. Beth 3, + Independed surreyor. approx. 98 % approx. 98 % approx. 86 % Date Parther to our teloon regarding your list, I can confirm that following wasels:
was been loading at MANOT: Perc. of Time 09:05 09:25 11:00 12:30 13:30 18. Staura abongside Berk 1. 14.24 hrs 1917. Gross Standard Volume Completed loading Loading arms disconnected Villages taken etc. and oalculation o/b completed Document delivered to SOHO Document delivered no board Vessel sailed 1,900,430 barrels 1,869,615 barrels 1,621,362 barrels Subject: Tenkers possibly associated with Essex To: N31cga@cuenc.navy.mil

03/15/01 Swan Sea 05/13/01 Swan Sea 07/19/01 Dorset

Time log:

Vessel

Dear CDR Hansen,

Perer Boks 69/17/2001 01:38 PM

Today we reclaved documents which indicate that on two occasions oil has been lawed as firm at laws to vosicion of Saybolts control on wessels which that carried in deficial adopted as the control of the definition of the control involved it approximately \$400,000 berruit (which represents 8 military approximately). We have brought this to the attention of Saybolt who are investigating the case. We will keep you informed of the outcome.

Oil Overscars.

All our activities are carried out under our general terms and conditions and in accordance with our code of practice. The general conditions can be consulted

Kindser regards,

Peter Boks

\$023817

All our activities are carried our under accordance them was conditions and all the accordance them was conditions and all the season to be complied at their law-shopic conditions and will be season upon request free of Cange.

The information in this message is conditioned to be considered in its intended solely for the addresses on the season of accordance or the proposed of the intended solely for the accordance of the intended solely for the accordance of the problem of the problem of the accordance of the

ANY BESTAND TOURS - Semantification of TOOBISCOT 08:4428 PA

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cc. 'Haber Tellor's - "Michal Tellory" - "Michal Tellor's - "Michal Tellory" - Carberri (Para 2) - "Michal Tellory" - Carberri (Para 2) - "Michal Tellory" - "Michael Tellory" - "Mi

Subject: Alleged Loadings of Grude outside UN Control

Manner.

Today as retered documents which indicate that on two occurions oil her person loaded with all has relief and despoits course on vessels which also course the afficial alignments.

To cold amount provided is appoilsments 500,000 harrels units reportented in a solid comparadated to appoilsments 900,000 harrels units a represented in a many brought chis to the accention of Seybolt who are investigating the case.

We will keep you informed of the ouccome.

5023857

Ootober 25, 2001

United Nations Oil for Food Oversers c/o Office of the Erag Programme First Avenue DCI Reom 1516 New York, NY 10017

Re: m/v Bssex

As you know, the vessel leaded on August 27, 2001. There are two bills of lading cadorated by August 2004, one for Livin's barrier land one for 21, 2009 barrier. Irrigians paid for the hand parcel by sating up a larier for reading on the at barrier for larier land in the barrier for did dust have its own credit to do this? Trafigues paid floor for the second partel directly at loca's direction.

United Nations Oil for Food Overseurs October 25, 2001 Page 2 of 3

Tadigun sold one million barried of the oil loaded onto the Recet to a U.S. refuner, Kool Petroloum, for delayery to the facility in Copen Carlos, Texas and contillion bermath to a Petroloum, for delayery to the refusery in Curezzo (Refunerta ISLA, Carlos SAA), affining Petroloum, SAA, for delivery to the refusery in Curezzo (Refunerta ISLA), because SAA). The versal strived at Copen Cretic last week and discharge the one million barried into two SMO,000 berriel lightering vessels. The first lightering vessel was discharged into Kool's tankage.

Before the second one could diocharge, Koch reseived information from POVSA that there could be a problem with more of the oil of the ledge occurs of the UNI Oil for CoAC Program. PAVSA the Pown Michael through the U.S. Ribbary of Carear, as well as received communications the Yor. E. M. Stocket, the impression of import dates out steels in Careara. Kach has not been extended by the U.S. therefore of import dates out steels in Careara. Kach has not been extended by the U.S. therefore the contracted by the U.S. the contract of the Oil for the Careara and the Careara and the Careara and the U.S. the Careara and t

Access these to let the second lightening vessel discharge and will not say Trafigura for any of the oil from the oil this was delabately because it is taked to that Frestanty Department's Office of Fresting Access to come with come to the hand source to of sensitions withdraws. The come to the hand source to of sensitions withdraws. The come of the fresting was it is infinite, in port of Come Oliviti and in coming my climat over \$35,000 a day and has disponser weats the reseal whole.

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My quira has paid were 556 millions then all and reader to age paid from its customers seen or the part of the pa

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S023895

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VIA FACSIMILE

Dear Sirs:

Lan writing on behalf of my ellent, Trafigura Beiteer BV ("Trafigura") to seek your assists in resolving the urgent matter of the Iraqi erude oil aboard the try Essex.

Tanigure is an oil trading company incorporated in the Netherlands with offices in Amuserdam, there and London Tringars requirely has puritated intoj ented in flow fairly retiried who had contract with SOMO made the Oil for Food Program, and has said many attegest to U.s. refiners. Until this latest cargo loaded on the na'v Eases, it has not encountered any problems.

in August, Trafigum purchased the Esters cargo from liver Bonegy, which is based in Paris but which apprently it incomposed in Tributa, BVI. Tributary purchased the cargo in two pierces under two separate contracts. The first contract is for approximately U.8 million burstle. Best sold Tributary whichts it would ake aconder approximately 9.000 to 300,000 bursts to too fif the ship on a delivered common basis. This is reflected in a second contract. But the careful Tributary which the provides that the first burstle of Basersh from SOMO and the contract provides that the file to be ander the UN literation. Trafigure that no reason to believe that trylings was annies with the purchases or unsurdinered by the UN.

Weshington, DC \* Thilabansee New Yark Aunus

S023896

UNITED NATIONS

NATIONS UNIES

OFFICE OF THE IRAQ PROGRAMME.-BUREAU CHARCE DU PROGRAMME IRAQ

. SER-ALE TERRITOR SERVICEMENTAL STREETS TORIGINAL TRIES.

THE EXECUTIVE DESECTOR. LE DIRECTEUR EXECUTIF

REF: ED/2001/GEN/S

31 October 2001

Dear Ms. Rudy,

I should like to refer to your letter dated 20 Gaober 2001, which was received at this Office the in the sounge on the 40 your presented interest 20 Gabbers, received yet have been a second or the charactery strenger, although us that 'hangers had 'succeived the charactery with the vesser at 1 should like a make it shoulded yet be also accounted for all opproved by the Order Sounds (1990) was between Day 80. Seconds Committee established by resolutions 66 (1990) was between Days Barry S. A. Sounds Committee established by resolutions 66 (1990) was between Days Barry S. A. Sounds Visions is not a party to the contract because Like and the United Nations is not a party to the contract because Like.

The questions raised in your letter of 29 October 5001 concerning the legality of the Beax oil would have two be investigated by a Salese of Saless having; intridiction over this matter. In my letter of 270 October 2001, I advised that Thefigure seek the assistance of the Dutch sulforties in this regard, which I understand you have done.

You will also recall that, in my teter of 27 October 2001, I informed you that this matter had been brought to the attention of the Security Commic Lorentiers exhibited by resolution 661 (1990), which is responsible to monitor the secritors regime rimposed on Ima by the everyor Commic. The findings of a relevant investigation will also have to be brought to the attention of that Committee.

it follows from the foregoing that, as the Security Council Committee has not thus far theat may evilune regarding the content of these, that recenter continues to be wait. In the absence of may action by the Committee, the matter of the Berge Ochel oil as a manter between Teafgare and Dee, in which the United Nations Secretarial cannot knowly their.

Ms. Beverly J. Rudy Coursel to Traffgars B.V. Sutherland, Ashill & Brenan I.I.P 1275 Fennsylvania Ave., NW Washington, DC 20004-2415

With regard to the cancellation of the letter of credit, I should like to draw your attention that the letter of retails is introvable, that it has been confirmed by BNP thats. A to noted above, since no extent has been season with respect to the approved four contract, that contract mans valid, and, accordingly, the United Nations cannot agree to the cancellation of the letter of credit.

Com United Nations Patra, Room DCI-1524, New York, PY 10017 Telei 212 963 5767 Pars 1.313.963 1994. https://ww

1275 Pentasyhania Ave., NW Wakingun, DC 20064-2415 tzl 202.383.0100 fax 202.637.3593 www.sablaw.com CONFIDENTIAL Elemidonneany Eax Indeptagne Office of the Iraq Programme 212,963,8968 212,481,A341 United Nations 212,963,3165 212,963,5353 Pages (including cover): 3 Office of Legal Counsel United Nations TO; Bacislent Nams Benen V. Savan Under-Secretary-General Sutherland Asbill & Brennan u.P Date: October 30, 2001 Facsimile

FROM: SEVERLY J. RUDY Emait address: bruoy@seblaw.com Tolephons: 222.283.0885 User number: 2239 Client number: Wessage:

Sutherland
\* Ashill & \* Brenchan ing
smerra area
several is not of suppose and 
5023899

VIA EACSIMILE Mr. Benen V. Savan

Under-Sverotary-General Executive Director Office of the Iraq Programme United Nations New York, NY 10017

Re: Trafigura Behaer B.V. -- Ilt Berge Odel

Dear Mr. Sevan:

In reference to my letter dated Costober 20, 2001, it am writing to august you not execut concerning the veteal in Pager Odel, which was remained to life a stage of approximately 18 million i series to Staush light code under contrat to ponchase from Dec. Due to the issues million is not a series of approximately 18 million is series to Staush light code under contrat to ponchase from Dec. Due to the issues and the contract when the post of ponchase to the provide as with written automates that linking of the series would not voice any epititude it ON procedures.

Tafigun loday exoceled the chaterparty with the vessel owners. In view of the lack of profession patheters and assurance and Unided Nation, including longers that property submired to be said to the x under the Old for Not property and the XII of Not property and YII of

Thus, Traigum had no choice but to declare to the voted owners that the charteparty correct control the charteparty correct conceptual by company has not not at date in the off incoming out caces of CRSD 940,000 per day until the nature in resolved. In screenings with this declaration of the control that declaration is the control of the control that the control is control to the control of the control that the control is control to the control of the control that the control is since of credit in these of the UN account which that been period on the x's behalf.

Ewily Jahry

Beverly J. Rudy Coursel to Trafigure Beheer B.V.

oc: Steven Katz, Baq.

Th/lahqasec New York Assetta Atleata ...

UNITED NATIONS

NATIONS UNIES

THE HANDSAME BUTHERING CHARGE DU PROGRAME BAQ.

27 October 2001

I should like to thank you for your letter dated 25 October 2001 written on behalf of Prafigura BV, concerning fraqi crude oil aboard the miv Basex.

5023900

THE EXECUTIVE DIRECTOR

REF: ED/2001/GEN/4

Dear Ms. Rudy,

As you already have been informed, on 24 October 2001, this Office brought the matter to the attention of the Security Countil Countaines explained by residential (1950), without prejutice to the allegations made and the comment attents by the Covernment of Euq. It is my understanding that the Committee intends to review the matter in early November.

In connection with the difficulties you have referred to in your above letter, Thafigura may with to seek the assistance of the Dunda suthentites, I have noted that you have already contacted the Dunch suthentites to seek their assistance.

S023901

October 29, 2001

VIA EACSIMILE

Mr. Benon V. Sevan Under-Sexretary-General Excusive Director Office of the frag Programae United Nations New York, NY 10017

Ru: Trafigura Beheer B.V. --- Urgent Guidance Requested Regarding 1/1 Berge Odel

Dear Mr. Sevan:

I incedived your Content, 73.2001 lears and flauck son for your prompt response. I understand in a medical so that a meeting of flauck 61 Seatoleton Committee is indeedled to take place and you can vent to review the mane and set will flauck the Committee in any way were sure. To that early flam in the review of infatting is elser explaining in ord clear trafficers is understanding of the dimonlogy of the filtings in question about the rif flauce.

I am writing for your further sasistance regarding the wested in Barge Oddi, which Tanfiann returned scene time ago to lead a tergog of approximately 1.8 million bearted of State and so to be and a tengon of a proximately 1.8 million bearted State of proximately. The vessel, when route to the Petains Colif when Tanfian beard State the plant steading the Exect, and was unjoused to arrive at Mira Al-Tanfigus beared of the problems regarding the Exect, and was supposed to arrive at Mira Al-Petain state of the State of Stat

Trafigura's bank, BNP Parhas (Suisse), has ported a lenter of seedil for the entire volume of the anging to the RNP Fachies, New Vorth Partent, Buse of As Account, Nacront Number 0200-201752-020-05. BNP Parhas site is conserred about compliance with UN procedures at the loadpoint and we understand that the bank has contacted the United Nations as well.

The vessi is now accruing demurrage of over USD \$40,000 per day, and Trafigura must decide very abortly whether to cancol the charter party, norwithstanding a potential risk of incurring

Tallahusece . New York a Austin

Mr. Benon V. Savan October 29, 2001 Page 2 of 2

damag-a to the vested owner for iterach. I would greatly appreciate it if the UN could give us some definitive guidance in writing as in whether it will allow flow to lift that purced off I. I the control in the control is the control in the case of I. I was a liberation the cancelled. Over the agreement with the flower. I also would appreciate if you could inform me what writing authorizations that the UN can provide us so like we know that ther it authorized to produce ensire rarge from SOMG, and that the cargo has been properly loaded and approved by the United Nations.

Leonly 1

Beverly J. Rudy Counsel to Traffgura Beheer B.V.

ce: Steven Katz, Baq.

S023902

eart: 5 November 2001

Mr. Teklay Afeworki, Sentor Finance Officer, Tressury

san: Ms. Vician-Milburn, Deputy Diractor Hill M.

10.01 to the coll ownershalm from Net. Affectil of 2 November 20.01 to the coll ownershalm from Net. Affectil of 2 November 20.01 to the coll ownershalm is a money of a "standardy letter of Attach and the first pure a mean in N. in fevore of the Chi. Sor. in amount 9 or fail pure 16.40 10.01 p. The letter of credit, and purpote to cover 271, 659 harrals of the standard in the cover 271, 659 harrals of the credit, and purpote to cover 271, 650 harrals of the standard cover of a November 201, 650 harrals of the standard cover of a November 201, 650 harrals of the standard cover of a November 201, 650 harrals of the cover of 271 November 201, 650 harrals of the cover of 271 November 201, 650 harrals of 271 November 201,

2. In its cover measurands, BRP-Parities notes that the letter of credit does not follow the required sendend formet of static does not follow the required sendend formet of Council accounts of French and Parities and Security Council resolution 56 [1995], MP-Parities forther stores that, as the letter of credit gives no destination, it common forties he dollar value of the latter of credit. Purchet, all Parities of Credit.

HATIONS UNISS - MEMORANDUM INTERIOUR UNITED HATIOMS - INTERNETICE MEMORANDUM

rade 2

concerning this matter, including a fax dated 21 September 2001 from the master of that yeasas, to the Mp. The Industing of this out sight not lave been amoltoned or verified by the NP undependent inspection operate, a required by the 651 Committee Proceedings, parenting operate, as required by the 651 Committee Proceedings, parentiph 15, and the BOD between the UN Scorefizite and the Mo Government of Ind. Amest II, parsyraph 4, the the outderfrend that payment for the oil has not been made into the NP Index Amest II.

5. From the information provided to us, we understand that this portion of oil has be sovered by an appress confract backers that and 5000, and that frafigure has agreed to purchase this oil from has. We forther understand that, even fromph this oil was largedly laded in violetting the procedure state of configuration of the state of configuration of the state of configuration of the state of configuration plant is and the state of configuration plant in the secure that it is not obtained by the actor of configuration of a latter of configuration by the actor of configuration of a latter of configuration of the state of configuration of a latter of configuration of a latter of configuration of the lowest of the latter of configuration of a latter of configuration of the latter of

6. We understand that the Committee is scheduled to seet on "measty," purebase received the committee of the Committee Spread and its properties of the Committee Spread and its properties of the Committee of the statement of the committee of th

1. If the Committee detamines that the leading of the oil was not anotherably the applicable requirement and procedures under Security Council resolution of the soft in the Security Council resolution of the soft in the Security Council resolution state and the Security Council resolution 73 (1951) part of the Security Council resolution 73 (1951) part of the Security Council resolution of the security council resolution in Security Council resolution of the Security Council resolution of Testiques, leaves, it would have to be determined whether

The Oil Dvaiseers

namer: Stand-by latter of credit opened by Trafigura

It suppares that this latter of credit may relate to the matter of \$217.50 between 4 of 1. lasted once the vessel to "Reserve", which he seem has brought to the attention of the committee. It has latter of \$2 access to the committee. From Laboration previously provided to the Camilland.

PAGE 3 UNITED HATIONS . INTERDITED MEMORANDUM

November 2, 2001

VIA FACSIMILE

Mr. Benon V. Sevan Under-Secretary-General Security bibrector Office of the first Programme United Nations New York, NY 10017

Re: Trafigure Beheer B.V. --- th Estate Dear Mr. Sevan:

We would appreciate it if you would pass this letter on to the members of the Sanotion Committee is advance of their meeting to review this matter.

Essibilided in 1993, Trafgars is an oil and metals trading company incomposated in the Uniform Gleach, which is the American and London-Selected metals of person companied. Trafficial incompanied from the subsect of Gleach metals of the person companied of the London Confedent and the Companied of the Companied Co

Mr. Benon V. Savan November 2, 2001 Page 2 of 8

any problems with its nappliers, and in particular with float Barryy France ("Dar"), or with France is romplience with the procedure for oil parchase architched by the Asactions Compuline. Partigues has carried into several purches and test contracts with these France altone 1970, and including two contracts to purchase Karkets in 1990, without intenting any commercial or legal difficulties.

### 2. The First Execs Cargo

L 102 FHR STREAK LINGS.

In April 2001. Der Franze olfred fraigur a cargo of approximately 18 million berryl of Barah light cured, FOB Mina. Al-Bakt, and provided it with a copy of the alignifien. UN Red. 20-202010/USA 2000-2004. Courts be, Michelle. The Substitution. UN Red. 2015(16.0 Der Endrey) (Bernardol Laf. 16 would have been standard industry practice for afficiate to spy Dark bringsh is their offered to the about the standard industry practice for the standard industry parts in the standard traffigure to arrange for the stand of credit symbols to the UN on its behalf.

Box (then saked Traigan if it would subchater space on the vestel for a top-off paxed of a chooloo 5 200,000 bursh, which how varied to a 11.8 however on its own. Traigan agreed, but inheity theeather look informed Traigan hait is had found it difficult to loose a space by the choice of the choi 

Bear executed a detailed warmany to Traffigure that the second parcel was covered by the UN classificity. It is in the compation with it has been required to the all proceeds would be paid into the UN second. The imaging Or the warmen is failing to the total second the LOR second. The imaging of the warmen is failing to the UN second. The traffic of the warmen is failing to the UN second to the second the second to the UN second to the second to the UN second to th

here was this to fances the purchase of the smaller parcel from SOMO beard not its own credit and expressed that Talkgrap by Littering to prace a security as many its near to facility the proposed with its back, Cheff and a confidence of the proposed with its back, Cheff and a confidence of the proposed with the proposed confidence of the prop

UN Norticetum > 1798.385 ! un Nohficelis-leller The vastel completed loading on May 16, 2001 with 2,027,622 test U.S. barrate of egaps-Gaused (alpring declarated assisted for the Indular States. Traightm received copies of the designings of declaration required by its content with box to payment, and the bank itsuing it of earlier of restrict or the states of the content with box to payment, and the bank itsuing the off-earlier of restrict or facility of the content of linaucheer co Mai browl

### 3. The Second States Cargo

L. Myderfold, "Myllickian-connective," bis 30c0 00-2 %. (% S. Convicious Myderfold, "Myllickian-connective," bis 30c0 00-3 %. (% S. Convicious Interface Integrate and the range of Bassah light and provided a copy of its SOAO Bassah light and provided a copy of its SOAO Bassah light and an entered into a convert to practice approximately 15 million betted. Boat represented to Tadigan that the oil would be convert by its operand allocation, and the contract between the parties provides that the table oil is to be be little under contract anmiber MATORS, UN Ref. SACCASCOLOGIAL SOCONDALAR.

here then saked Thrifigan whether it would purchase another approximately 200,000 to 300,000 bever do an above the action of an adversal contains basis to go the fact, so with the spece (accessing the good for an above that Triggans remement the expect for it with the view remement of the thicking the sample oil organisate to prachase part engages in order to entablish a good credit history. The apparatus or carried for this pares of this same of Canadarda, the like issues provided that the cards oil is voo be liked under contact number Myl000; UN Ref SA/COZYZOU/OLL/1960/COM/M.08. The top the present of the purches of the special contact number Myl000; UN Ref SA/COZYZOU/OLL/1960/COM/M.08. The UN For both pareeds, Infigure paid there are numbered by the UN For both pareeds, Infigure paid when the office of the three oil ording plats a premium.

On the UN Ref with present in the services of the difficult and one for the service two bills of Infigure and the service of the service of the three oils of the count of the three oils of the service of the UN Ref or the UN Ref or the UN Ref of the UN Recount at BHQ\*Paths, An explicited Telligura assumed that first distribution as with the first of the dust in the second purcel directly at force of the United Canadard Path and the contact of pareed in the second purcel directly at force of the United Canadard Path and the contact of the United Canadard Path and the 
energy. Expression of the content o When our

ropravatative, who attacked the leading of the 1st Karee. Traffgura appointed Captain Monautic author the beside the configuration of the forther beside and substantial unexplained leases on eargest leaded from the Mins Al-Bair terminal of ground (10,000 barrie between the west figures and discharge figures into receiver's facilities in the United States.

Coptain Manusanki informs unto the beward benthad or Al-Bake on August 23 and that the part authorities, the SOMO representative and Supplial arrayons bettered at the same time. The institute commenced on Angast 24 was we infrareplay by the Terminal and August 22. Both the Supplial arrayons due to August 23 to the best of the state of the part of the state of the cargo isolated by that time. When these ensementments were complesed as forward bell state, the cargo isolated by the state with the state of the

3.2 Payment Information

The gura arranged for payment for the fart parced, 1,787,407 net U.S. barrols at the official single price pre-land of 23.701 faced directly to the Resconds, Daves the accordant number 0300-20173-200-204 with RNP Parishas, New York Bernel in the notal amount of 4,256,3133. Parishas (USD) equivalent to the single and the Second Bernel (USD) and Second 
3.3 Sale to Koch

Trüßum sold one million barrels of the oil bashed cann the £arce to Koch for delivory to its finishing in Cappar Gelf Versamant and the hereoff of Versamant State of Personal to 1 Provider of Versamant State Personal, S.A., (Bernander, S.A., (Ber

The procust lightened onto the Aleksayon was discharged into Kooti's tracken with injected mental Before the power could be proclaimed information than DNNA that some could be a problem with some of that oil not being convently the Curvas and the Pack Presserance occumination between the Curvas and had proceed occuminations from No. 18. A Benefield, that U.S. Benefield from the discrete and had proceed occuminations from No. 18. A Benefield, and the first proper discrete and existent in Curvaso. We conclude the Control of the

Koch refuses to list the second lightening vessed discharges and will not pay Thriftgers for any of forces the all three vest discharges beause it for the table its Tensor Department's Office of Forcis of Assets Commit (COEACT) will assume it of stanton windston. The second lightening vessel is shifting that the Copye Cortis and is confirm our \$55,000 s day in lightening vessel is shifting that the Copye Cortis and is confirm our \$55,000 s day in which the committee of the confirmation of the confirmation to import the cargo and pay Trafigura.

3.4 Sale to PDVSA and Disposition of Cargo on Ut Extex

The Burr: unived at Curaye on Wetnedory menting, October 24, with approximately one million better andoned. The sink's speet in Curayes their us that the clinkwing four persons not set of the control o

ye authorized dictharg. PDVSA will not silow disthurge of the oil until approved it by the three poverments and the United Notions oil ourseave or other. Who misterine, and also will not pay Traiguan for the oil. PDVSA also has infermed Traiguan that it will hold Traiguan libits for all consequential loases, including demunrage, sentiated as a result of the uncarrified oil.

The ligars's counsel in Curepan, the Spigiford' law firm, has been verticing with the Curepan bible Presentant, a will a back it. ACA. My distinction, who is director of the Chainst it do a few and G. Jonden, a well a back Addition, and his collapse, who is director of the Chainst of the Ch

Upon nessipi of the istan of credit (which was issand and confirmed yenterdy), the Americal protection of the island Amilia comment of the National Amilia was requested from the Burnar of Penegra Affair of the Nederlands Amilias and the National of the Feeriga Minis of the Networked Amilias and the National Amilia and the Networked Amilia and the National Amilia and the National Amilia and National Amilia Amilia and National Amilia Amili

As noted, PDVSA refuses to accept the cauge united irrective vertices approved from the United Ministrum. Measurely, that wrested vertices to ministrum the community to the transcriber all demanding and other expenses remarks the following. The cast of demanding to the second following page 1999, We do not know long the vessel will be permitted to if it at unchange it CDVR.pub.

# 4. Consequences to Trafigura and Other Purchasers of Iraqi Cruds under the Oil for Road Programms

Given the first known to us, it appears that then, with the complicity of several parties, simply better the state of the all colors and did not remit the fands to the UN Account. Triggars parchased the color that of such conservations of the color than the series of the series was apprented under the UN Oll for Food Programme and received customary decrementation supporting that fast. These would not have been any way to know that Bear hid idled all casisfe of the Oil for Food Programme.

The cost to Tardigan is potentially enormous. Thatigans has paid over USD 545 million for the band of and it must evident payment from the Cost had PlyVice shown for it bands may force it to cause business. In addition, to obtain release of the coil. Tardigan has seamed the obligation to make a second approach to 1915 56 million for the value of the antamineted of 1. Tardigans also may be second approach of 1915 56 million fact the value of the antamineted of 1. Tardigans also may be second approach to 1915 56 million fact the values of the antamineted of 1. Tardigans also may be that the documentage on the East, the Koch ighter vessal and on a vascal Brage Odd—a vascal that it had sharened for litting of another cargo from flow but which it carecicled given the

sheeze of UN sessurence that the Box Hittig would be authorized. Now Trafigure faces the costs of cancellation of the charter party. The lost costs of Fadigare of this debate could exceed in 1050 million, exclusive of the cost of stranging to recover its losses from the various parties into yord.

We are mindful that the Sanctions Committee does not entirately communicate with private oil composites. However, jist is an unprescribent distingen, and we believe that the Sanctions Committee though the server of how an innocent party can be defined to also be server of how an innocent party can be defined and how SOMO(1 is also the off the sparter. Although we are not privy to all the facts and the appropriate officials need to complete that investigation, the completity or inaction of various parties likely contributed to this situation.

First, the vessel Masser signed all the bills of beding and dispring decembers. The original of the life of the desired the bedind have been remember on the life by March in the UN improvem Compensation make the state of the STI 200 state. But M I say, Account. The master kept presentation make the state of the STI 200 states of

Second, all of the nithping and loading documents were endorsed by the SOMO terminal representatives and had to have involved the active participation of SOMO and the loading terminal.

Third, ther titnet oil outside its allocation and failed to pay the UN Account. This could not have been done without it organizing the scheme, the banding characts and the loading and documentary instructions.

Forth, if Dex's bank was aware that the payment received through the letter of credit was covering India oil, no payment should have been authorized other than to the UN secount with BN:? Parisas.

Fifth, a vegast of this size cannot lood significant volumes of oil without the beowdrage of the reproported hospital conference of the Thinghard is cannot represent the cubent flow event, it rooks term hours to lead the 271,000 beams. This not comby transpearable confirms event, it rooks to seem that the confirms of the 15 shoplet cannot about after completed out the thinghard, when the standard is all required documents were them signed. We do not think it cardiot as the very confirm the transition to the bred document impact of now think it cardiot or the workedge of the 10 Ne-spointed impactors. And Market ×,

Without changes to the procedures, other purchasent of head orande easily could find themselves in Trafigura; position. The cost of travering the retaining leases is the to be injufficant easily universal, the results assesses given that, at present, the abbosion holders are small compensate when weaks are difficult to mean. Man, at present, the abbosion models of they exceed the constraint of the control of

UN/OIP 10/10/01 12:43 PAX 212 963 5947

200.00

Page 2

After the completion of kasing of 1,800,000 bbls and all the documents signed the UN cargo inspectors left the vessel.

Loading resumed after about one boar without informing the UN cargo inspectors and was completed when the vessel leaded the additional 2297/56 bbls.

Dilla, or specie (doz 3) was signed by Master and Terminal Representative, B.M. (doz 4) was singed by Terminal (doz 4) was singed by Terminal (doz 4) was singed by Terminal Representative and by F.M.CON representative or Manouszakie Manoila verifying the additional quantity was leaded on trop of the quantity which was almost by the or or or the quantity which was always the healing vessel proceeded to U.OOF where the discharged part of her cargo and hen proceeded to South Schools was been added and the ballower of eago. On arrival at the LOOP the vessel was measured by chartmen's cargo improced (doz 6) as well as by SOS required; a regge improced (doz 6) as well as by SOS required; a regge improced (doz 6) as well as by SOS required; a regge improced (doz 6) as well as by SOS required; a regge improced (doz 6) as well as by SOS required; a regge improced (doz 6) as well as the SOS required; a regge in the third than the letter of credit about 229756 bbls.

SECOND LOADING AUG 27<sup>724</sup> 2001 (U.N.code: S/AC25/2001/OIL/1360/LC23)

The vessel 7/T ESSEX was fixed by TRAFGURA to load a curgo of 18,000,000 bils Beanh this vertical of from A Baker oil reminal, IRAQ. The sure procedure as the first loading was followed.

As per (doc 1) and (doc 2) vessel loaded 1,788,520,00 bils equal to 2,64,573,519 write them.

As per (doc 4) vessel loaded additional 271,884,00 bils or 37,461,957 meric tons within was over the U.N. Here of result.

Vessel is proceeding to U.S. GULZ (South Schize) to discharge and site is expected to arrive them on or about October 14<sup>th</sup> 2001.

first loading: doc 1, doc 2, doc 3, doc 4, doc 5, doc 6, doc 6a.

second loading : doe 1, doe 2, doe 3, doe 4, doe 5.

\*\*\*

UN/01P

10/10/61 12:43 PAX 212 863 5947

Page 1

CHILADAKIS THEOFANIS RINIS 27-29, 141: (01) 6392097 AYIA PARASKEVI 153-41 ATHENS, GREECE

ATHENS SEPTEMBER 21st 2001

To, UNITED NATIONS 1 UN PLAZA, DCI-1572 NEW YORK, NY 10017 U.S.A.

R. Faller

Attention: Mr Morten Buur Jensen

Subject: TT ESSEX, Loading at AL BAKR Oil Terminal IRAQ, ignoring UN loading instructions.

Companies involved:
A. TRAFIGURA LONDON, CHARTERERS/TRADIERS
TLX: 921187/9222166

B. ELKA LONDON, OWNERS OF 17T ESSEX TEL: 44 171 258 3537 FAX: 44 171 724 1390

C. SOMO LONDON, IRAQI OIL COMPANY, TLX:212198

D. EUROPEAN NAVIGATION, ATHENS, OPERATORS FOR 17T ESSEX TEL: (01) 8981581, FAX: (01) 8981588

E. FALCON NAVIGATION, ATHENS, REPRESENTATIVES OF TRAFFIGURA TEL: (01) 9607230 FAX: (01) 9616801

FRST LOADING MAY 16<sup>TH</sup> 2001 (U.N. code : missing)

The above named vessel (TT ESSEX) was fixed by TRAFIGURA to bad at a K. BAKKB (1900 to bis Bassati light cruck oil. As per situached doe 1, vessel loaded 1, 500,000 bbis Bassati light cruck oil. Uniter stront (60.1) signed by Mateur and Terminal manager. BJ. (doo 2) issued and signed by Mateur verifying the quantity the vessel was fixed to had 1,800,000 bbis or 247,847,80 metric tons.

5023917

MASTER'S COPY NOT NEGOTIABL Shipped in apparent good order and condition by SOMO. in the S/S - M/T called the "SSSEC"
"SSSEC"
Whence Control of the present wyage now lying at the Post of - Al-340's SERECTIAL TIAGO.
IRAQ GRUDE OIL ( BASSER EGIT.) In Bulk and to be delivered (analyzet to the undernantioned conditions and exceptions) in like good out-r and condition at the Port of "UKRAF.

Out as new only saidly get (always alloas) was order. \$50. XMITARS/XMIR. to that unique upon payment of freight as per charter party, all conditions and exerged which charters party, including the negligence classes, are deemed to be incorporate this felt of Lading. doc 2 Metric Tons 247851.254 247637.07T Long Tons 243936.08 243721.20 BILL OF LADING 774777 BBL/3113 U.S. Barrets 1759735 1798365 UN/OIP 10/10/01 12:45 FAX 212 963 5947 Cubi: Merers Gross 286134.468

The Ship ham liberty before or after proceeding on the veyage to proceed to and stay at any purpose and not withstanding that mans may be out of the afters touts to the port of discharge, with liberty to mall without plots, and to tow not be towed and to tow and small washed in discharge or otherwise in all positions, and to define the purpose of saving life or property.

day of .... Dated at Al-BAR - Williafthis .... MARINERIL.

8023920

ce: AMERICAN EMBASSY Vassilissis Sophias 91 Athens, Greece

cc: U.S. Coast Guard MSO Houston-Galveston P.O.Box 446 Galena Park, tx 77547-0446

Thanking you, I remain,

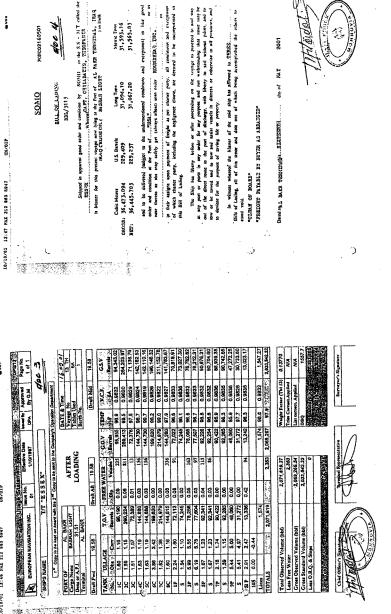
I will be very glad if I can be helpful to any additional information and or clarifications required concerning the above.

10/10/61 12:44 PAX 212 963 5947

UNZDIP

3

31,595,16 31,565,83



10/18/01 12:46 FAX 212 965 5947

\$024027

Ann Pa

UN/OIP

19/10/41 12:47 FAX 212 963 5947

TOTAL QUANTITY ON BOARD

TOTAL QUANTITY LOADED ON BOARD VESSEL. Enser

ON ( /6/5/2001) AS FOLLOWS:-

CUBIC METERS: 322,607,517 - 323,365,539 GROSS NET

LONG TONS : 275,030, /+8 - 274 ) 32 4 8 . U.S. BBLS : 2, 029, 144 - 3, 033 622

METRIC TONS : 279, 444, 412 - 279, 202. 892

Not 22 LOUI

You will no doubt all be aware of the alleged illegal loadings from Mina at Bakr involving the vessel "Easter", and the revised procedures that have been incititated at both Caphan and Mina at Bakr to prevent the possibility of such counteroes in the future.

Bearing in mind that the Saybolt monitoring operations at Ceyban and Mina at Baker are under the closest excultury from the United Nations, it is particularly disappointing to have to advise you that the quality of reporting to this office and to the UN OII Overseers has, of faire, againfantly destrionated.

Examples, in no particular order of merit, are:

1) Time logs with no completion, or sailing, times
2) Sailing where with incorrect Bill of Laking duese, and incorrect notification
cleared benefed. The Office of the Irea Program of the United Nations has written
Suybolt on this natte.

I do not have to labour the point that this level of performance is unacceptable

We are a professional company appointed by a major humanitarian concern to en cut an importent task. If we are not sere to net professionally, especially so soon afor alleged illegal activities have taken place under our very noses, thom we will all suffer the consequences.

In our monitoring function we are the "eyes and ears" of the United Nations, and the quality and content of our reporting function is the only benchmark by which the United Nations can judge our performance. Once discredited, confidence is hard to rebuild.

Since the inception of the "Oil for Food" program in late 1996 Saybolt has done a termendous amount of good work. Unfortunately it is only our mistakes that are noticed, and of late there have been too many. Mistakes and omissions will not be olerated.

THE FOLLOWING ACTIONS WILL NOW BE TAKEN:

A) As from receipt of this message, both the Caylan and Mina al-Bat's operations will astive, as part of the dual power, compendence into lag article per vessal covering a trainfame the following times, gift over a number of dual pertities as they occur. I repose to see all following times, gift over a number of dual pertities as they occur. I repose to see this reporting, those pertinent details regarding debuildings deceants as gooden are appropriate:

END OF SEA PASSAGE/ARRIVAL AT ANCHORAGE
NOTICE OF REALADNESS TENDERED
PILOTS ON BOARD
LET ANCHORAGE
FIRST LINE ASHORE
ALL FAST BEXTH No.?
NOTICE OF REALANESS RECEIVED
GANCHAY IN POSITION

S023923

Nov 27 2002

MINA MI-BAKK MONT

Sayboli UN Iraq. Mina Al Bakr.

Following Report based on observations from field trip to Mina A.I Bakr; November 27th to 30th, 2002

Soyhel Mention Arest. The office we operately maked organized with all reference notices and first to hand. Working ager remain limited forming space shows algon of the increased tumber of first produced over the year. Suggest usps are taken to organize the archive fine seed have these seen to Eughand for sorses.

Offer, equipment, 2010 COS (cascenal turnors) used due to brankforce of funched scrient).

Operate a maria unit 5.55 (Secured turnors) used due to brankforce of funched scrient.

Operate a maria unit 5.55 (Secured, self communications) (sol.)), Als offers finite,

Carlottis bages, 4000 COTT. Back quant, 5.55 (Reporting systems and Conflock superat. Programs were

chosted banded for soll counter an executed sporting.

Carlottis and Conflock is self-conflock to the conflock self-conflock solling the self-conflock virial self-conflock self-conflock virial self-conflock self-conflock virial sel

C) The sailing wire will now be signed by two members of the Saybolt monitoring team, as clothows:

C.1) The impactor who preparer it, and,

C.2) The impactor who chacks it.

D) Whenever you have a problem, need advice, or require guidance on any matter, call. I, or Peter Boks, are always available; we need to know about, and react to, problems BEFORE they bappen, rather than after.

For the record, any contact numbers are:
Office 44-207-222-017
Mobile 31-633-97896
Home 44-1707-271794
E-mail genham byeti@savbolan

B) As from receipt of this message, the sailing wire to the UN Oil Overseers MUST be counter-checked by at least one other member of the monitoring team before despatch.

RREE PRATIQUE CRANTED
ORG SURVEY COMPLETED
LOADING ARMSPIEZZIS CONNECTED
COMMENCED LOADING
COMPLETED LOADING
LOADING ARMSPIEZZIS SISCONNECTED
ULACIOS ARMSPIEZZIS COMPLETED
DOCUS ON BOAND
VESSEL ŠALED

Staff accommodation maintained at 5 accommodation cabins, 1 office cabin, Dayroom, Kitchen and store som. ntens.
All equipment in operational order,
New desktop unit is under order in Bagbdad.

We have an important job to do, and we must all ensure we work together as a team to provide the level of professional service expected of us.

Graham Brett Thank you,

Wear supply is full restricted due to the breakdown of the 2<sup>th</sup> 1/shall NO onli. Supply of the necessary there put is preventing problems. It also foul in two supercolosal but can only supply speciments 20 M per day, appreciately build but extended requirement. West in a resultable for the better and a state of the occommodation even, to appreciately 30 minute pet day in the restain inclining latted bit waver.

Good supply of fresh fruit and drinking water was evident during the visit period, though Saybok staff took all meaks on board visiting ships during the visit period.

Transcriental remains unation unto the discribible des to the poor condition of evaluable marine execute the transferrable to the condition of the condition of the core best it out of service, mempo transport, activation by every condition for the conditions to poss significant additional dauger is in secessory even of transgracy medical eventualor.

Torminal observation:
Whitevay are reducted by improved as most above. Safety ralls smalls abscol in a sumber of free Whitevay are researched as improvement, bough accidion of damaged structures training on advisory. The Research of the first first for the estage boats are tell in the grocest of being rigged outside the accommodation area.

S024028

In final meeting with the Saybott Make All Bade staff; prior may dependen the above points were this ingest addressing. But marked to consource and say formulaw with or conditional transitions and conditions, and final interpretation. He aposition is now were thread it was model for the discussion that conditions as the turnessin result official, the marked of reliable water and food respition, to we in the present living conditions and bestings of the stemulati.

The abonatory is well maintained and equipment in good order. No results are published on Pour and abbnes no seasing is currently parl'ormed, I am not aware at this time of when these tests coases on what basis.

Polations with the ling terminal personnel are satisfactory. No problems were advised or notes

it was noued that suff currently have only one glass themometer for use on docs. More to be of white an experience it oscillates the resussment of the produces it well-tolle on the visit act any explaines it is sufficient. We have the companies to the control to the MACL ogge remains in storage, and of service. (This about be seen to Skylovic first require. My preference would be to replace with a salitanted steel upp and plans thermometer.

respection on vessets immediate arrival is being partismmed. (Cases where wesels buth but await irestouchas to load). The fixing of seals to both Port and Shol manifolds prior to lank measurement was noted. The procedure being to cheek the integrity of the seals prior to the weard tailing, particularly in case the weard has remained alongside for some Posts.

or clarify issues. This includes the laboratory analysis notebook, showing okear development of cukulations to results as well as ship dock notes.

. Observations on Office Procedures.

My thanks to Her-Erik Simonsen, Rogario DeSouza, Danny Siagzon, Heikl Luamaa, Sergey Akulov and Menin Green for their kind bospitality and co-operation.

Team isader commensed of lack of electronic suchiving of SRP reports which is now being addressed it was discussed to tave a CO burner insalled with the new computer unit for suchiving procedure for report back up purposes, which will become an integral part of the report procedure. Sieze the previous with 6 copper of API Chaptor 17.1 and 17.2 have been provided to behan A1 Budo.
Cleaned described in before date in cressary presenting providentals are covered, doubly a number of the specific traces in each to the previous report french in consultation by the pulliple is not made to the previous report french in consultation by the pulliple is not made to the previous report mental recentary to highlight as coming in reconsistent months in season to the behand the companies of the previous report mental and the previous report ment h contras to the previous viait and report, where specific issues required addressing, a more general overview of the teams activities, reporting and conditions was made. Procedure for removal of archive files to Baghdad will be implemented. Raview of documentation preduced and legst on file per loading includes the following. Notice boards are well utilized and presented for easy reference as required. Saybol / UN Mas Al Bair Decements.

Saybol / UN Mas Al Bair Decements.

Gran & Nivel and order (Contract Corners Charles)

Gran & Nivel and indicates five Bird Liding (Cont. & Br. pplii)

Loured Charles (Signess feath).

UN Reactions 36 – Juliag information Advice.

(N Amilitation Lent.

(N Lord – VET. Snybolt Flaid Reports. Vessal 'I Messurement Report. Vessal Time Shed. Busker Report. Feel Oil. (Handwriten Reference copy only). Busker Report. Diesel Oil. (Handwriten Reference copy only). Ships Documents (Reference Copies). Ship Partiener Report. (This ref has, OBC; Ullage, set). Ship Experience Rentz Data. Ship I berlaulen Data. Including Ships Carpo Tank Capacities. Ships Carpo Tank Capacitica (Separate document). · Ship Loading Report. Hard Copy File Report. Optional Documents. (dieVold Space Report (in event deastheight space). Ship's Orew List.

5024030

## VISIT TO BOTAS TERMINAL, CEYHAN AUGUST 21 – 39, 2892

Acting Team Leader Gijs Snoeij Pedro Gonçalves Valeriy Peudov Gerteard van der Veen Vladimir Piteik

During this visit E

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3. Various draft in december away flip! Storej on a "toor-lo-ser' basis.

3. Various draft su play support, Bassare, a libraderon

5. Tored refer to the property Bassare, a libraderon

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For case of reference ! will follow the headings established by Paul Edwards (PE) in his do-briefing report on departure from Ceystas, commenting as necessary.

When (i) is Soosi (CS) handed over the operation to PE; he passed on a note regarding the find that the transfer and the first part of the present in power condition. But can are appropriately 3 was not received the condition of the condition o

OPPICE SPACE & FURNITURE:

Fig. comments on the conditions he acted on artical were no doubt context, and have been confirmed by an affective the extend to the translated in the acceptable office and confirmed to the first man are written request to Stear reporting office rethinshment and replacement floor.

First man are written request to Stear reporting office rethinshment and replacement. Floor in the report to accept the translate of the respiration of the translate of the translate of the register of the regis

OFFICE TOOLS:

Further on the noves from PE.

> The desk-logs "HLIB" (substried from Petrak) is used for daily reports to London/Roundam, and the streation of SRS, reports.

The dask-op "CHS" is used for shorn task calculations and other routine monitoring and offer challed and the state that the state has a state of the challed and the the ch

OFFICE ADMINISTRATION:

PS to a result of the Court of the Markelling and storage of that hard copy (that stored in the records office to a result age efficiency and the court is seen to be able to the SSS reports and the context details to currently (10 leight a result) but and court to a result, but the Y was the court of 
LABORATORY:

The bending, which was previously titled, it coursely under replacement with marble-cupped bestitings by Breas, who have also repaid the videous and down making the two recens washineyared, and improved the theoretical wifulg, power tooken and lighting.

I have reviewed the comment make by FE on the destinability of an air-conditioning unit for the habitheourcy will be cheesed a submitted to require the recommendation as the Your Point agreement of Stotley-C. However, as do the sustained the state size with a restrict of 14-16.5 in making a mogentum of Stotley-C. However, as do the state and state of the size of t As in PE somewhit:

Note that the control from the themes were the best located.

Present in the best of the part is not you do one a month for supporture obeds of the Eurit Present in Separation to the control from the open time who control the Rosenskan affect and will be fitted on arrival, then making the upper first your factoriest again.

ITEMS THAT REMAIN TO BE ADDRESSED:

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Not interesticity increases, and subject to what happens to SES system under review by measurement in the configuration of the configur

BOTAS MANAGEMENT:

On 200800 1 had an appointment to meet with the rew manager, Not Reesp Arthemy, I was accompanied to office by Mr Anden Meld (past from manager), mee left Menis beforme (ITP chief registers) and thus introduced to Mr As Exis (Green's DM and sectional manager) who advised by Antientary had gone on talishey. No apolegies were offered.

Mr Edic possis alsolutely no flagistic, and was most oriviously not less; pleased as being interrupted. A beat changed may was a missensed. A discussed.

Fuller sample. Edic protects to series with solution before my departmen. (This, not supposed, possible protects to series with solution before my departmen. (This, not supposed, given the part and instead to series whose days between the ability of the series and solutions between the ability of the series and solutions and the series and the series of the series and the series and solutions are also series and the series of the series and approved by the first of the series of the series and series are series to all corrections and affire the site and the way are of inspected. The series is the series and the series of the series in the series of all corrections and affire the site and has we are not be singled out for special retainent. Additionally, he same he is only surplying out instructions received from Anders.

As noted by PE, and derified by above, the attincte of the Bodes mangement and staff secons to be hostile towards the Saybobt featu, and it certainly interpreted as such by our people who nevertheless by at far as possible to ignore the perceived injustices

Mate with Nation (ca.NOC), Nr. Za and Nr. Jana at of when I know from SONO, Baghad and
The Prince Teacher and the removale register and the operation differs an elecThey are more make large with the removale when the proposite to Carbon.

They are word that bags with the evering provided by Sulveit in Carbon.

They would like to bloow when permission will be given to use KNor is Amany; intereting detaulton examp.

CONCLUSION:

I will report under separate cover on a number of the issues that I have discussed locally with Gijs Snoeij and the team.

C G Breu August 30\*, 2002

I would recommend this is done before the end of this year.

Please find attached, 2 most recent reports from MAB. Earlier ones are only on hard copy. (My computat does not go back that far. The information in this message is confidential and may be legally profit in information in this manage ye confidential to the infection ansage by thome also a monofaction of Type are not then intended confident only descharate, copping, distribution or may settlen testen or confident or by the large of it. It is problisted and may be ultarkel, all results and data contained in this document are subject to our queries and our and data contained in this document are subject to our queries that an an our data contained in this document are subject to our queries. All our activities are carried out under our general terms and conditions and in accordance with our code of practice. The general conditions on he consisted at http://www.aspecit.com/, and will be ent upon request free charge. If you are selisied with our services do tell others. If you are NOT services for the control of 
Any dataoresules included in this message or an attachest contains original incorportion there may not be modified or altested in any way that world change the content or the original information. To control Mannar CICARC Darratespool. 137
The Mannar M

Saybolt UN Iraq. Misa Al Bakr.

Report 19.12.01.

MINA AL-BACK AVOIT

1002 11 2001

From: Richard Bernes" stichard\_barnas@saybok.com> on 08/12/2004 07:52 PM T.C. "Genham Breit" «genham\_breit@saybok.com> cc:

Subject: MAB Reports

SAYBOLT - FAST TO THE POINT.

Kind regards, Richard Sear Graham,

Following Report based on observations from field trip to Mina Ai Bakr, December 16" to 18", 2001.

il was impressive to see the improvement to Saybalt staff common areas, raising the standard of accommodation feelikies in the Kitchen and Day room areas. General Observations. Saybolt Mosiliors Areas.

The office space is also bester utilised allowing for more workspace. All these areas were found tidy and well organised:

White the depress of these for the current team of 6 staff, the hicheroldusing area conains cramped for this number. The office space said two saif cabins are without beating. The depreson surconcilioning is currently one of order.

General Accommodation Area.

Ternical facilities remais adequate though is post condition, with condusing conserva over safety facilities and decidence. The 3-Violant circumptor papply sufficient water, though the quality can by poor in appearance, likely due to lack of clienting of the sorrage track, file water supply is handequate, with liefle available over the period or vinit; Des 16° to 19°.

The general standard of bouschooping at the terminal has loopowed with recent patheling of internal and currenal accommodation areas has improved. Also staff kitchen and Disning area.

Food storvge steas tentain a concern due to poor condition of unthers and cooling equipment, fresh vegatables, then do t spill objects Supplies no only repositioned on a weekly basis which leaves like food of any quality a finishes in the latter part of the weet.

Access to the terminal is nell provided by top back clear with neal closes clears. This remains as unreliable perceder that no remaindone of the very fight the quiesments. Beauting the regularity designoss, with no pergory decase at the print of francies; (Petitalody) on the diverse conflicted).

Walkways renain deagerously dispers due to constant film of bydevolfs oil in evidence. Acres around the loading array actificately between the worked and residently between the most and the design of the brainfully in the summer that is the when the most way that is the when temporate this ladge?

General kouskkeeping showed an improvement, shough excitons of damagod structures remain on walkways, fire astinguishers were noted in poor condition and without proper fainguishest labelling. The davits for the escape boats are in the process of being rigged outside the accommodation area, though \$024037

Certified print with

Atminion Graham Brett, Saybolt London on behalf of the United Nation

For the "Konstituer" the VEB as calculated by us and your representative sea not taken time account for the Kenth Report of the Carlot Application for the Kenth Report of the Carlot Application for a taken the respect of the Vested report of the Kenth Report of the Westerland of the Kenth Report of the Westerland of the Kenth Report of the Westerland of the Kenth Report of the Kenth

All new procedures are documented and the individual instructions are posted on various notice boards in the office, it is recommended with the various tensoricious are compiled in a less fragmented way, to form a chor for use on each leading. That it underway and will also form a convenient basis should further updates/instructions to formboarding.

Observations on Office Procedures.

delayed due to the failute of the barge crans, currently in Unan Quar for repair. A new gangway access has been provided on berth 3, replacing the previously danaged unit.

A full Office checklist of requirement for each loading should be developed with refrence to 'template' document involved. This should be sequential and commence with LIC vs. Control check to final treasmit of Saling Arther's Loading Report.

Review of documentation produced and kept on file per feading includes the following

Ship Loading Report, Hard Copy File Report,

Saybolt / UN Mina Al Bakr Documents. Shipment Report Cover Sheet.

The practice of overwriting proviously sent messages should stop. Templakes for all regular commus should be developed in either 'Word' or 'Excel'.

For the "Bergians" this vessel usually toaded in the Marth See as sho was designed and built for that

You have in the Yound Sea Bill of Lading are based on meaner (which is a exceptable) and dee to A yea have in the All and the All and 
This came sher the furt vessel we attended at Bases-Caylant (Gropkjus S on October 2001), which VEP was used when the vessel was only on her fifth voyage were § qualified voyages could not it ound and the VEP therefore not applicable.

Gross & Nett calculations for Bill of Lading, (Total & Brl. splist)
UN Letter of Credit (Shipment dessits).
UN Resolution 986 - Sailing Information Advice.

UN Letter - VEF.

Uliage Report, Leadport.

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Project – Saybolt UN. Ceyban <u>De-briefing, redoct</u>

Dear Graham,

Date - August JO, 1994

70 : Mr. Perer Bods

1 Mr. Grant Bacht
: Mr. Baran Evelt
: Fass Leader. Wr. Mr. Mr. Schunko. Saybolt UB. Ceyhan.
Subject : Station Review - Saybolt UB. CEYMAN

Dear Pater, Berween August 17 and August 21 I visited Seybolt UH, in Ceyhan. The following is the seport of my zeview whilst I was there.

Operations

Export shipments.

Marine Vessels:

\*\*\* Price is a resolute landing programme going on at this present time.
\*\*\* Three is a resolute that the is 1000 bobis raws, This means on surving at least and per day, is being landed and at least one ships often a territal is 200% better the control of the c

Our team is estroing out fall impactions on each ship. Shore tanks are assumed before and start use in control to have comparison back up. 18.11 of Lainy figures are based upon ablo figures with Vessel Deprimer actor applies the man applicable. This service is a accordance with this way that is a secondance with this agreement and between the Up and with 5000.

It was noted that wary little measurement or Bill of Lading calculation is washe carried out by Termanal Latif No are welying balayy upon the stream as described and deligated by the off Wentour.

No citizal as person are budgo passed in my nahaw or com between his citizal to wast the Termanal or with Sayboit UN and the Termanal or with Sayboit UN and the Termanal or with Sayboit UN and Carried 
Although this is context to the terms as laid out in the Context with the Out is an anoised abution to one seek that everything from the operates among the fronthal Brift to carry out or observed the procedure to describe the library of the control of the operation of the control of the con

Only one UN Monitor is in attendance on board the ship at the end of leadands, Ship's tenthe attendance are being double checked by another of our staff before leaving the ship. This procedure is contrary to what has already been requested by ayeolf.

remerter to theriah mana (Kitikala) Ali taske on the location of Cappan (1) off) belong to Iraq. Just onstand the Teasinal perimeter fares are three tanks that balong to Nucley which leed the Kitikala estimate Kepulas (Tannifers are abing made ach month free Caphan tanks to Kepulas (Tannifers are abing made ach month free Caphan tanks to spunitise are determined from more tank measurements carried out on opunitise are determined from more tank measurements carried out on

Rathor than spend too much time or expensive phone calls I think it may be more expedient to write you some debriefing soles first so that we have something to refer to when we speed. By so doing you will also have some guidelines to refer to during your value.

Cars. As already fully described in recent messages. Both were in a very unsafe condition and not properly cleaned or taken care of. Bodywork damage can be seen on them as evidence from minor accidents.

his addition 14 VG 742 had not been fitted with a finne arrestor to the end of the extinate poper. This is to be labes askey regulation; the Tenn Leader had been activated by letter from Boats Management on 11 Nov 2010 (No.11028) to do so.

Action Leader had been advantagement on 11 Nov 2010 (No.11028) to do so.

Action Leader had been and any and any activation of the condition of the conditio

2) Office Spaces and familiars. In an absolutary disparting and deplorable condition. There was the "office the "restally in the office. The Curpet was standed, only during by the condition. There was the "office there has a space of the condition of the condit

wing up

 Office Tools. There are two desktop computers in the office and one "notebook" kept as a spare. Both computers were very dirty on the outside and festooned with old notes and bits of sticky tape. The keyboards were really dirty and full of tobacco bits and cigarette

23/8/02 09:42

Page 1 of 5 pages

Author. P Edwards

5024054

out of their own pocket and that they are responsible

It is noted that who togethers existinly applicate or Copyan in the bear replaced by Tombias 'Stellite' computers with Windows 1995 as the Gird operation system, This additional time cache Sippoint 1995 bearing where Windows 3.11 is still in was. Not Team member assigner to Copyan has to first familiarise himself with a different system before as now.

The contracts and operation of both sourcement was allowed the that stant stader is opposite and problements was givened as the west solved. In the CA skill programs it was found that the address book was well one of cites. It was also noted in the facts Mester programs that the vest both as has noted in the facts Mester prictions past and pessent setzle was measure that this standard analysis.

The component designated for the Monitor's use there are larger and now accommon the fact instead of the indication on incontacts, including an application in the fact instead of the indication on incontacts, including an application of the boot discource, this should incontact interests itses exist in the boot discource, this should incontact interests incoming the application of the including property, applying from another computer. The Mayouted is not operating property, applying the application of the incoming and applying the investigation and correction.

If was also noted that no 'back up' procedure was tailing place on the representative their objects as back up the reference flows of our tail's was aware that there was a back up progress that make the same that is a same that of the discrete than the same that is the discrete than the discrete that the discrete than the discrete that the discrete than the discrete that the discrete than the discrete that the discrete tha

Nith regards to copies of the oxiginal programs, none exist on site. Copies of Mindows 95, CCasil, SIP, Lotus 123, Lotus noces are needed.

I would suggest that a full back up of the feam Leaders computer is made once a month and that full standby computer programs are supplied. One this purpose the supply a back up tape streamer and program would be very useful.

The MMC tape is in constant use by the team every day, There are inhabiticient apares on site. To sy mind minimum required is one complete MMC plus tho spare as the spare.

Recently a replacement MNC was ordered from Holland and sent by DHL Clearance. On August 21 it was still with DHL in Turkey awaiting Customs

Delays such as above only highlights the need for spares to be on site.

I would also suggest that an "AVTEMP" thermoprobe is kept on site as a back up in case the MMC equipment breaks down. A comprehensive inventory of all Saybolt Office and Laboratory experiment was not evailable. This mair to make as soon as possible for equipment was not evailable. This mair to be easy food order and reference of each team Leader.

landing Over to relieving Team Leaders.

There is no notes or procedures in place with regards to a relieving the aleader. Pull relation has been placed stably upon a hand over portod without my backup in writing. This is not a good procedure since important items can be easily forgotten.

Heapful notes should be compiled. In addition the Laboratory and Edulpment inventory should be obacked and signed over in writing to the successing feam Leader.

The Laboratory Inventory should also be checked and signed over each time the Laboratory person is changed,

by implementing the above a better continuity can be maintained and controlled.

1 deal that my visit was well justified useful, I would now like to be deal that my visit was well justified regular visits every three months to review the station condition and to keep myself familiar with everything that is going on.

Action times:

Action 1 Than Leader.

Deal of 12 Palignent report to be copied to distretie.

Action 1 Than Leader.

Action 1 Than Leader.

Action 1 Than Leader.

Action 1 Than Leader.

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Action 3 Than Leader.

Action 4 Than Leader.

Action 4 Than Leader.

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Action 6 Than Leader.

Action 6 Than Leader.

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Action 6 Than Leader.

Action 7 Than Leader.

Action 6 Than Leader.

Action 7 Than Leader

M.) Prepare handing over notes. Start a proper handing over procedure to the relating feam Leader and discharge the responsibility in the correct manner.
Action: Team Leader

12) Operating manuels for all equipment to be checked if available in the English language on the station offer manuals as necessary and keep them in the office for future reference.

S024059

Action : Yeam Leader and MosterCoam Offlice.

13) Start the Goalla checking procedure by another DW Wonter of Ship's calinerfor balan spinion Union Dy Season and Sea

Paul Edwards. August 30. 1998.

who has in worden, near for other forms Project - Saybolt UN. Ceyhan

<u>De-briefing, report</u>

ð,

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and, even to nouth the keys fall "titleky". The frant Lenders' computer keyboard was faith and and the three the keys and gooden.

There was only one printer in service, which was actually the FazdScanners/Fainer.

There was only one printer in service, which was actually the FazdScanners/Fainer.

There was no the case of the three services and the services are no back up to this spaces in the central of a hazaddown.

There was no there to keep the falles cach helded up as tield, Apparently it appears that each ancessaive Team Lader the falles cach helded up as tield, the cash with him or that each ancessaive Team Lader the services of the cash with him or for computer back-ups, up to reliance was maintained on keeping up a Roppy district spaces. The services are the services of the serv

4) Office Administration. Very medicore, The "Archives" consisted of old slape reports bundled up together with suring binding and the street in a large filing adhier. The same went for all the notes treet in a supperment order in a large filing adhier. The same went for all the street is not support in a large filing adhier. The same went for all the old mark history filias not report in an it was all mixed up.

Daily filing was not to be del filing instruction, this or ever claim's was very found reported. The "Likney of Dauch Psycholed" was togic in the Team Leaders draw for some reason.

Vou know already and the "UP Exact." bing issued to each shipmaster.

You know already and the "UP Exact." bing issued to each shipmaster.

You know already and the "UP Exact." bing issued to each shipmaster.

You know already and documents and activities in the Team Leaders draw and proposed supports for reading. The filing system adopted was unwidely and inflexible.

Exact format Exact for reading. The filing system accepted was unwidely and inflexible.

Exact format Exact bed been made and there we some excellant "home the define the proposes in fairly use to senial in the work. Filing is logical and flexible and can be proposed in a variety of ways.

Page 2 of 5 sauses.

Author: P Enwards

Author: P Enwards

23/8/02 09:42

**a** 

Been with the second 1386 486 214 274 POITS XAN 46/46/85 We netted that the galaxyl schme i procedure laid dom in units 1918 (1819) for approximate tail of the speciments is also included advanced to Charles and In We printed managing with in place of the property of the member demand in the report of 1 home or the the Memberty demand in the report of 1 home or to the Memberty changed. the state of year death of recent prises to the state of Zre matter to 2 and 2 12(172) 25(1) 11:34.44.42 19:14,1991.4, ......25.10 To be considered to the construction of the co 8 4) Office Administration. Very mexicoce. The "Archives" consisted of old ships reports bushed up registers with string binding and then stored in no apparents order to be in a large filing cachined. The same went for all the old tash bindry files and report files. To do may single file was a nightness, because nothing was clearly maked and it was all infeed up. ash, even to bouch the keys fell "sixicky." The Tann Leaders' computer keyboard was failly and with broken keys and apportun.

There was only one printer in service, which was actually the FazaScanneerPrinter. There was only one printer in service, which was result; the FazaScanneerPrinter. It was not only one printer in service, which was result; the FazaScanneerPrinter. Systems in the result of brackdown.

There was no there to keep the fallect exchibited by a packed, paper captured by a switched to the service of the servi CONFIDENTIAL whethold: - works, went for others theres Project - Saybolt UN. Ceyhan

De-briefing report 23/8/02 09:42

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United Nations HQ, New York Page 2/2

Saybott International B.V. - Rotterdam

Far number receiver : 00 i 21/2 963 1300
: United Mission Headquarters, New York
Attention : Hr. Steve Aventon : 145. Steve Aventon : 54y-bolf Internstional B.V.

: UN Audit repty : October 27, 1997

Doer Steve,

In reply to your fax dated 24 October 1997, we would like to comment se follows;

Which of the two figures is closer to the actual quantity?

in view of the non-functional metering symben, it is, se you know our procedure to nessane:

The storage tanks before and after loading of a cargo (for reference and check).

2. The vessel is measured after loading, whereas the vessel's measurements are adjusted by Vessel's Experience Factor (VEF) and On Board Quantities (OBQ).

The measurement described under point i, serve as reference and clarick, and the figures are reco. and extractively long times spen since and extractively long times span since sirrage anche was independently collected on country insulations described claric point it is considered than twe secures determination, in the absence of secures measuring facilities, for maximizing purposes.

On completion of bading there was an apparent difference between the vessels figures (by reference to artiferior clears) and for figure a follows:

96,100 burds

96,100 burds

96,100 burds

Western State of Sta The difference of 24.51 berels GGV can in our opision be attributed to the looking of the Trv. "History of the difference of 26.51 berels of the difference 
After consultations with the UN Oil oversors and local SOMO representatives if was decided not to decide from the procedure of the varies and the set of t

This adjustment is in wiew of the difference (36,951 barrels) over the entire period in our opinion justified.

The adjustment has however as for as we lonew not yet been made.

Did not the bayurs claim refund?

Obviously the toyers are, as a rule not involved in the measurements that are done for reference by Sayboth in originations with their tasks as UN observers. Monovorr the bill of Indiang is busen vessely measurements adjusted by Vessely Experience Fanor (VEFS) and On Board Quantities

However in the case of TV. "Hintis Pratige" the buyer has claimed refund, as they noticed one with the differences observed in leadport, an estimation at the disablempt port.

Why difference wass?

Explanation is riven entite.

Could Saybolt I are prevented this difference?

Separat from i's acceptable differences which will always occur, apas inthe transplants were independently calibrated or man resulting or too-clings, but difference in the case of TV. Histrik Pre difference and it was brought to the standies of all parties consens to deviate from the procedure.

It is therefore that Baybook can not be blamed for this difference.

Storm, I must this screwers the species, please contact me in case you need some clarification.

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OFFICE OF THE DIAQ PROGRAMME.

2. Gobern Mitterspecial Austrian.
Thi. + 1.723 963 6640
measurement darkees
re 1998
Number of paper (heldright never page): \$\frac{1}{2}\$.

Please that standard copies of three memorauria deted 10 November, 14 November as ember 1998 from the sastions requesting information on the work of faryhold in Insq.

In the two memorated dead 10 November and 16 November, the audients inquire the laid of the coverable and the locality dealined, it would be again the bus deality dealined, it would be again if you construct particularly as ny soor discussions with SOMO it manates, and the mention of the Ooremanse of lay, it is now undestracting that it mayonehibly of the Government to man the road necessary decisions in Nina Albaker, I kawy rectived Orbania Dayle 4 will be able to be a second to the contraction of the

In the memo dwod 14 November, the aceltorn takes the lares of the incident in Supposit was provided supervise to both the United Nations and large of the oil. The a incident in the second pragging of the memorandum that Supposit was requested to charge. It would be appreciated if you could inform man as no what the famil customs was states. In view of the fact that I will meet the enditors on Pedary, I would appreciate it if the conflict of the information by Tamaday, 36 November 1998. As Dementy Modely New, 15 you have any questions constraing this marker pleases operating by Tamble 25, 142, 244.

COLT exalization in this matter is very much appropriated.

(Mail record to the matter of the 122 to the 0 per 0 per 0,122 to per 0 
AUDIT OPERATIONS NO. 12 UN BOARD OF AUDITORS SULLYCE s Infrastructure in Oil Expert. 34TF: 16.11.399 ē B002. .... THE SET THE STATE OF THE STATE by the ETP from Irea. All these

ALCANDED WITH THE WAS BEEN ASSESSED. WITH THE WASTERN AND THE

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Control of the second of the s 

In Appendix I to the afters - maniscend leave, Ma Baybelt have that there are currently so impropriedly ecopolish assertment system.

i. Specifically with regard to theilities, his Saybolt have

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Iven though the Ins. Oil the Food Tragnassas is emrestly in the final bottle Pleas, those appeals have not as yet been meaboud.

Best oil ...

ALCARCON SILIT PAI SIS 845 0477 TO OFFICE ACCORDANGED TO COMPANY DISCOURS AND SUCCESS FALL ELS 866 6865 AND COMPANY DISCOURSE ACCORDANGED TO COMPANY DISCOURSE ACCORD

Booken

C. 40". Kutuk/Berath Crais (2) Mearing Stellon

The meeting status is mechanically inches (specked off) than
the such plantes and is non-operational.

At the limit (Oil the Fond Programms is earnwidy in the final month of the fourth Thate, Board recommends that these problems he reselved expeditionally.

1. Board have observed from the Woodly reports was by MA Stribal to Downware the verices operational difficulties praise despite the experience primed by the militarities implementing the CD for Tool Programmer which commenced way look in Downsher 1994, form of Please on diamonal below.

A to per seport of 2-12-1597 to Fluck boats were servitable at Min. Al. – Balte for bending of "AADBAGS GERGIGGOF. There was no longoversament in Service immedies and temporation. These potention to Shore specified as bear 15 bears with one obtages of boats each time. Onegeney No. 1 was reported to be under require.

As per raport of 12-12-97 only one bigoring boat was evaluble at Man Al Beller which toy was stand to be unraliable. Also, transport unfan Braza was americal to be worse. Traplosa was reported to be at sea ensuiting repairs and delivery of parts door Urana Quer.

In the report of 134-50 the idependent minimated that no Manuing Basswere on Bentium at Min. Al.—Bade and were reported to be mader require, was positived to be under required.

Was positived out that the fact in harf 3 World motoring was done without use to.

Mooring beats. This situation, between continued till 20-3-64 when beat was made smilistin.

In its report of 27-4-68 so Meser lamah service was reported finosities from Unes. Quer. Journey: Into was considerably entended and was from petitibutey.

As per report of 22 May 1994 the old imprements positively out that power were concuring several disease a day and high. No generator operating for an hour or man. Young was reported in how the several endingering generator. This was reported to have not end thing at in the event of may incident of the new collected to be not a seaf thing at in the event of may incident of the per benefations there would have no power to an machinery or supply (Danisagion,

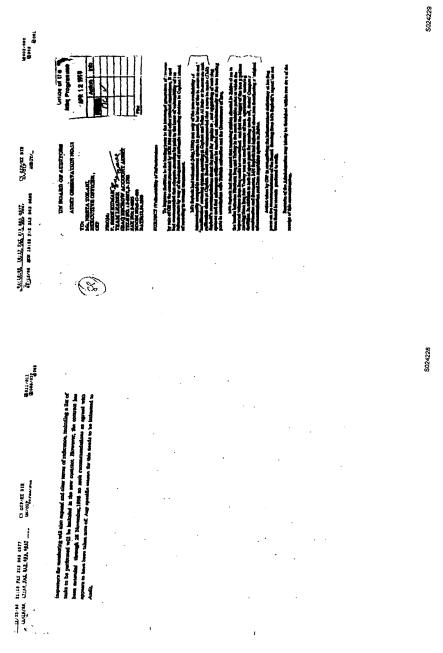
> In Mine-Allink , do power sinusion was reported to be be described in the report of 5-6 fill-Numerous power and were report way day and dailed for profess they flows hours the analy generation respond to his operating only constructly with the small that or Recognizery generators was being used continuously which could be hard

Al. Board representations that nationary stays to make to improve facilities in the conting porty in the inserest of generalises of reverse by sale of Oil to the enemt consist of.

A Based noted in schwestien with the volumebility of informaneum that a group of experim assumptioned by two Upbed Politicas OO Overseav raised lang them 12 to 12

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OFFICE OF THE DIAG PROCRANDIS - SUBSALI CRASSES DU PROCRADIM

# COMMENTS ON THE MANAGEMENT OF THE OIL INSPECTION SERVICES TO AND TO THE OIL INSPECTION SERVICES

An autil of the management of the oil imposition constant was conclused by OLOS from Murch through August 2011. A draft report (ASZ0011096), chard 7 Deamscher 2010, with findings and constancedations, and first a report for time schedule for this impostmentation of accepted transmendation, was for early of the No. Server, under cover of monormalum reference number AIID-7-131 (1953/01), of serve date.

Following the Security Council resolution 966 (1993) and the MOUI, Stybolt Ensient Finnispiers 18 (1994) and the MOUI, Stybolt Ensient Finnispiers 18 (1994) and was evided Council Principiosit-Sek, in which 1994, as provide the resolution of the council of the

The unit objectives as stands in the draft report are, inter sain, to assess OIP\*.

The unit objectives desemble in the lith contracts probable the treplands sarving and contract of the contracts of either and effective manuer, and we'ver the management of other ever provided by the contracts. A review of for deaft suit report, against the stand objective the contracts. A review of for deaft suit report, against the stand object suits, which the contracts were a reinfalls even in take into consideration his context in which the contracts were a reinfalls even.

98(199), and the Momemotium of Undominating between the Secretarias of the United 1 section of the Communication of the Security Council resolution sets the mid-Governator of the Observity Council resolution Section (MOU), agreemly provides for independent arqueoties agents to mention finely oil apporte.

Vivies presidents of the contrave understanding to the contraverse to the required to Socially counted the Oceanies of the Contraverse winders and required out setter. Testizability for the Contraverse of the wind Sophic presented the Network Art & Contraverse of the wind Sophic presented the testing to the contraverse of the wind Sophic presented the testing to the many of the contraverse of the wind Sophic presented the testing to the many of the contraverse of the wind Sophic presented the testing to the many of the contraverse of the c

It is decision to menuge the contract from OIP ruber than UNORICI was in order not to includy or represents the last are statement, to the contract goalship, such that between must by 10 listiative repropriets procedure that would seeme that the contracter fifty infeatupes in contracter in the contracter that would be seemed that the contracter fifty decidangs in contracter in which the contracter distributions is to accompanish the policies and critical process. The contracter is which the contracter distributions in the contracter is which the contracter distributions are interested predictably. The contracter, who has compain or that the Conventural has refused to allow any additional contractors and it on a parameter 1 bank, depretive occupied to (work).

To auditor third to evail themselves of viol consultations that would have born to them; in their work. Thus the such objectives were carried out without a proper underst of the background to the contract, the contract isoult such in management.

Although the sudlect underpool site value to some of the hostices where the finderwise imperiors greater as to dead, any off also visit fills. It Bate is whites fit he very difficult conditions under which the independent improtion upper aprents. In the very difficult conditions under which the independent improtion upper apprents in the very difficult conditions under which the independent improving the service of the concentry is badquarant that would have helped death for the andaton some of the consense. An cut conditions to might also have helped death for the andaton some of the consense. An cut conditions are might also have helped that one been half.

Commonits on specific sodit findings and reconsemisations are profitered hare

A: Mos'toring of involce psyments and thancish authors

Procedynes have not been implemented to monitor involve payments:

Program 8 of the druft report stand, leave disk, that the "unmoler of leapentons, whether is or over parts, is the only measurable personnet by which the UN authorized payment to contract. However, these as executes transfers record is essential to support the secundary involutional pathonized by the contractor.

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Communication charges by the Contractor have been excessive

Persgraps 11 and 12 mand that the heriff revenue of the contract include contraints expanse which is should. The creat of the unit contract may be the Contract provide for any qualitation by land (the separate instruct forcing the use of a said communication speem (checked). The data proper also present forcing the the "Off do not all therefore spices and as said go to the contract forcing the contract fo

The auditors clid not seem to take into consideration the gaography of frue, the location of the cline where the dispersables inspection upons are markoton, the logation than would have been throtwed in extending the LIN inforcemmenteletion system to the various locations and also the political servicement:

Pangraph (4() stated that "a review of 19 monthly involces and appointing docum "deflocates", Among the defletences aread in satisfying of the atmediates reco-independ "from arrived to departure Amonate". In the view of the auditors, propriet he made for manuling the locations in true and Tuckey.

United Nations. Because of the urgancy of the need, it was further decided to purchase whiches that were immediately available, that happened to have different colons and provided to a second of the colons and provided to the colons and the colons are colored to the colons and the colored to the colored to the colons are colored to the c

Non-expendable equipment purchased by the Contractor had not been adequately acc

Pasagraph 20 stand that "the UN laid entherized the Contrator to purchase equipment incide websides and communication optimized this assess, prosperior and effective or the forest the outsignment past for by the UN fed not then we say UN seement assess the forest of improved by the UN Fertinentees to be expressed assess assess the contratory and factor had been pasted by the Contratory of the contratory and factor had been pasted as required by UN function for its contratory.

Due to the political environment in which the entiment is ensented it in ton the main to make the properties of the state of the configuration of the value in the configuration is because, Offen maintains it exact of which has the entiment of the polyal used to \$1 7 My count, offen the first of the first in execution with to common manew my fiction with the Orenzonical of Tab.

Charges for additional services provided by the Contractor have been issuings ristly monitored

Paragracha 21 to 25 stands, have ada, that O'D accepted cont proposals from the contractor of additional series "without up of editions of supporting the deadless of presconditiones. Acceptor, particular for these services had been suited and contraction to exprot the services of the same services of commentation to exprot the services; such as original bills for proclesses, ideaths, vouchers, str."

Application of the state of the

The audients seem to have confused the one structure with the agreed billing proorbure. As the contract is all-landurier daily fise, the only menturiers for changing would be attendance on also of the contracted personnel and satisfactory performance of their duties.

The contract was averated to Saybah based on compatibly studer and faces is no oridinate that illustracementations come for there will are designed to ODF. It includes that has been designed to Saybah originated to Sayb

However, the points raised in the draft report regarding the cost atturture could be utilized in the prepotations for the next contract.

Accommodation and local transportation charges included in man-day billing rate have been expensive

Paragraphs 16 and 17 stated, issue also test at Zablo and Minn-ab-bahr, the Government of First, had provided ecommodished for the Commerce's staff, and at Zablos, SCHO had also provided two ere for local transportation.

With regard to questions related to come for economologica, transportation, commissionelles, etc., it is a well-known that this thick they not forgamen to be commissionelles, etc., in the well-known that it is a well-known to the contractions of barrious, no promeste the menticions of barrious, no promeste the menticions of barrious, and passed to make which in the issue of other carmety but land diams. This has had to appreciate measurements which in the issue of the contractors, not just Supicel, to measure that these services, etc., would be provided.

Transport costs provided for in the Costract have been charged

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overcharge. But again it dooted by noted that the senditors seem cut to have absent into consideration to question of the question of the time factors, it is also between this has provided anythet immediately from but resears who were specialized in the value absentance to understand possessment when the members of these missions, we will as having put takinginal desting this best, face and other but have been applied to the special and the specialized in the special and the specialized that the specialized in the specialized that the specialized that the special and the specialized that the specialized is the specialized that the specialized is the specialized to the specialized that the contract was bested out an "tulist cost proposit."

The Contractor had not conducted "audit visits" as provided for in the Contract

Pengrup). No seast that although the Chemister's proposal clased June 1996, provided for a coordinate from bloombast. We start have been in free every the west, no such that but been conditioned from bloombast. On the sucreption that the cens of the visial would have been behinded in the overs plot proposed by the Continence, the meditors consequently calculated 36 such missed visits, price proposed by the Continence, the meditors consequently calculated 36 such missed visits.

The seamplice, is incertor, as the technical head of the Iraq tesses for Supical, Mr. Crabana Beat, regardly advantaged may be accepted the form of the seample in included in the overall price of the contract, in addition, regular "staff" white was understated by OH separat. Specificative the seam screening and the seam of the seample 
Services provided by UNOHCI have not been adequately charged to the Contractor

Paragraphs 27 and 28 have been duly noted.

B: Mankering Costractor's performance

OIP officials charged with monttoring the Contract had not made inspection visits to Iraq

Regarding the connocate on paragraphs 79 and 30, it should be noted that the contract is being contract to the contract in a politically weathing environment. As has been described, it order to compension if (PREIGT) standard, it was desirable to eximinate the contract from backgranter. OUT manifolds it was desirable to eximinate the contract from backgranter. OUT manifolds overaph of the self-virons of Saybalt on a daily beas introvey reporting as well as daily consultations with Saybalt, the Oil Overseen, as well as the groun of capons on only upon parts.

Need for reduction in contract payment during "no work" periods

In purgraphs 31 and 53, the audient option that during times where it is not being reported the large how connection should not be paid. In this conservior, it rounds that why different impass my preferences company of this type that wends appears to such conditions in the countries with collision being the such conditions in the large such conditions and the large such control in the large such conditions in the large such conditions in the large such conditions and the large such conditions and the large such conditions are such conditions.

importers or back in place before they can beat. To move importers in and out of Iraq, the little of versurplant would make the Versurplant would make the Versurplant was the Versurplant with a security Council as the New Security of Security Security as the Council as the New Security Secur

Need to reporate the cost of Contractor's equipment from the man-day fee structure

In peragraph '3 to 13, and the auditors' corresponding recommendation, the report discusses the cont of regiments precised used the contract ReSPACH. While the comments are not expens to considerate wald fording, it is deer that the activities did not into accordior-into the capacing ministensure, require and repleasances costs that are factors into the contract of a well, when they speak of condition costs for equipment costs that are factors recomment by 2-bytosh.

Scruttry of C?'s of Contract personnel have been ineffective

It would seem that the auditor did not enderstood the background of the issue of early pendocar. It was engloshly financed that the constant would inheally owneren. That was authorized by one stade, in this selection of land reagond to menior the crude oill expost their vin, so, one electrony treats perspected and such owners in the crude oil working after with it the sensations, without conditions in the

It is also not correct that that CPs of consessor personal are not reviewed. Whenever, Selected in consessor and the CPs of consessor is the consessor of the c

As we stated in the introductory commons, the Memorandam of Understanding between the security of Vichald Meions and the and Coverance of Line as the implementation of the Security Council mendance 366 (1959), Amer II, prespray A., provides that the "air of problems and systems 366 (1959), Amer II, prespray A., provides that the "air of problems and systems 366 (1959), Amer II, prespray A., provides that the "air of the problems to the supersy Council and Vichardam Council and Council and Vichardam Co

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out that nowhere in the United Niciosa is there are occupied consequence, agents or technicism. To consequence P-4 level for a surporery programma, and then religied these it will be consequently the consequence and the melalest these related cost of displaying these 20 P-4 and members, I-a, treas communication, we

In regard to the recommendations by the suctions; the memorandant forwards to the recommendation for the control of the contro

Recommendation 3: Entablish a contract management unit in whose Hardrean solution licented reviewing involucies respondencessition, writifying Contractive attendance recon-mentablistic additional request for equipment and services by contractive and providing input. for everbation of the serv-provided (APO)/50/6703).

This recommendation falls to take into consideration the fact that this would require additional resources and smiffing which are entreasous to UNOHCIV mundate and would not necessarily be agreed to by the Government of Iraq.

(i) Recommensiation 4: OIP management about recover the overpayment of \$370,000 as indicated in Annet 1, from the Contractor in subsequent billings (APD/3006004)

This recommendation should be reviewed by QIOS. The S370,000 see significantly overstand. Inculsally, Saybolt's review of its invoices undercharging that may cencel any overcharging.

lation is noted for the negotiation of future contract po

The controct is an all-inclusive, and there is no evidence that the constantor has expandicly charged CIP for private calls. Further, it would be contrary to the terms of the contract to demand auch reimbureacent.

Recommendation 9: Off management should recover overpayments for accommodation and transportation of approximately \$471,000 from the Commeter (AF01,004009)

The contract is all-inclusive, therefore under the terms of the contract, there is no rein:  ${
m duc.}$ 

Recommendation (7) OTP management should obtain docalls of "undit visits" updetaken by the Contention and if no who which have falsen place, recover as estimated amount of \$270,000 for all cash required visits up to please since (ASULSOKOI)?. As raned above, QIP maintains constant content with professional accludes industrial organizations and is, therefore, carrest on the tosts of services. However, the recommendation is noted.

It is more effective and efficient to have an overall term leader positioned within have toes incompatibility the auditing functions on an one-going been of twivew and rather than only periodic "audit" which, which are after all poor force. In this regardon and consider that any recovery is data.

Recommandation 21: OIP menagement should negotiate with the Contractor to secowe appearatements \$4 million paid for experiments in access of its secund one and to also further symmetrs har the equipment cost component in the current Contract (AEOLYSBÉGIZ);

This recommendation is rejected. Off it bound by the terms of contract between Saybolt and United Netions. However, the recommendation will be considered for future negotiations of contract proposals.

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RELONGS AUDIT NO. AFJORITSOR. AUDIT OF THE MANACEMENT OF THE OIL, INSPECTION SIRVICES CONTRACT

1 rate to the meacemations of 20 November 2011 from Ms. Entart Steins, address you, extend 6100 AURIN DA APADINGSA, LIDTO OF 1928 AAAAAGEST OF ULI INSTITUTION SURVICES CONTRACT: In this assurance, is dismosed, 1940 consistent and 1941 and 1942 and 1942 and 1942 and 1942 and 1942 the last production consistent and 1942 and 194

This recommendation is inconsistent with the relevant Security Council resolutions and the MOU.

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for oil inspection services keeping in mind the relevant SCRs and MOU with the GOI (AF01/30/6/023).

are extransments to LINORICI's mandates and would and accessarily be agreed to by the Governments of Ing.

As of paragraph 10, it appears that OLOS switches to the question of contrarting spers parts, although, as proviously indicated, it was enclose as to whether OLOS was able to differenties between Saybot's responsibilities.

With ingread to purpose it can be considered that the considered and t

With regard to partitriph 20 and the ancilion' commence related to the constructor? prochabing of organisms with an widelan, compenies and commenciations equipment by the convention, exploration to the ancient was made are not on the hospitalisms explored by the properties of the properties and the 20 ancient was a second or the properties of the properties and the 20 ancient and 20 ancient ancient and 20 ancient ancient and 20 ancient ancien

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io addition, as the Seybolt contract is administered in New York by OIP, the recommendation by the sackinen that UNOSECI be responsible for Seyboll investory again would octate worlf for UNOSECI that is extrement in its measures.

When regular to the support 21, the mathems refer to proposal by the communic for additional services. The content clicates that these proposals were accomplished supportant or second of the communication of the supportant or second the communication of the supportant of city that the very senditive and enter upper facilities that the formation of the committee consistent of the regular of the communication of the communicati

example on that Off does not matched comparative increments on constitution to "conserviness" of proposite, OFF has shorpy topi made information and has maintained to going or near this professional conference in laboration agreements may be a maintained to going or near this professional conference in laboration agreements one when there who has no going or near this professional conference in laboration agreements on the professional and property with comparative professional conference or construction of the professional and the professional conference or construction of the professional and profession

or puragraph 22, it is impossible to connect without a definition from OROS as to "embrying sendering."

Parigrap 23 orbins also in puragraph 21 and again falls to take into conditionation quantitive of the late Dates in the Seybold was the his pervise destruction immediately from topics vite very specialized in the saves accommy to indicate these missions, it will having great sequence familiarity with both ling and other consists in the region. Paragraphs 24 and 25 again relate to the consensors in the above paragraphs and fine construct was essential to continue Styboth based on as "sali-in" cost proposal.

In paragraph 25, and matters on became it between the other be Ir. qual for Replack, Mr. Gram Rent, regularly understate mattered to our o' these wides is included in the overall price of the contract. In addition, regulavities, remaintained by CTE species, proceedings these inverses in spaces and for the city sector, as well consists experiented to the Consistent.

With regard to perspension 77 and 28, the auditors fulfied to undocated again differ; into consistive states of the into Q. De two by granted to UNICHICS for an assessment is in relater why all not numbers would be subject to relationments. Therefore, is not address that them correst foundately, the auditors would there to make much more dear of they would consider mobiumeshe vide-vide and supplied to the property in the audition about provide observation of the design to which they refer.

Degrading paragraphs 20 and 30, the auditors again tied to force cross administration to VORGIC out to manufactualistic than then we construct by QDP. The completely inscremes as it if the activities of Report were constructed to the Completely of the Completely out the Completely out of Report were Completely of the Completely of the Completely of the Completely of the Completely with the COM Community, and the COM Community, and the COM Community, and the COM Community, and the COM Community is well as the paragraph of the paragraph of the COM Community and are the COM Community and are the COM Community and are the COM Community of the COM Community of the COM Community of the COM COMMUNITY of the COMMUNITY

In paragraphs 31 and 32, the audhoot opins that during times whose oil is not being opered to in 18th the control of the second with the second with the profusional company of the type that would agree to make conditional to its control with the United Nielson. There is no way to have it adventor when the Conventional of cling will see the second of 
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Council Committee demand that a full time pressure of importure be maintained to the features of etc.

Paragraphs 35 and 37 ledicate a conduction on the part of the auditors related to the original conductation in 1995-1996 regulating OI Observers. It was originally between that the contractor would foundly consenses. That then was addressessing one safets.

Stephant L. Schoer 12 February 2002

We roke to the druit audit reports as mentioned at Albough your mercine in the covering such that the case. We only provided some information to our Red addressed to him. At that time, we escentaged from Rotterdam. Unfortunately this server occarred.

: CIOS Audit No. AF2001/30/6; Audit of the menagement of the cilinapositon services Contract.

: July 12, 2002

: Office of the ling Programme : Mr. B. Sevan : Ms. Stephani Scheer : Pentr W.G. Boks

Saybolt Eastern Henrisphere B.V. - Rottsedem Memorandum Given the fact that the Executive Stammary is overlapping the main body of the document, we will limit ourselves to the latter.

United Nations Page 3.

United Nations Page 2

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If must be noted that given the last that then is executal, that our impossions have to travarillocated or the the bearing white they alward, We are unswere that the ser opposite to the UN allocatementalized speam Den Decellocates and as Albar Al Sa In Addition to that communication is not their the they are oppositely that chinacide to the unsurpassion is not finished to the unsurpassion is not finished to the unsurpassion state that There is also delily on-the state from our HO in Addition to the various because the bias There is also delily on-the state from our HO in Additional to the cross oil beautigan for finish to the out the state of the (E)

Essentially we feel that our contract has been evented on the besis of a comp

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In order to regimenth regulate temperarily the Eurhour Master has saimed a tist to supply 9 terms as seen as possible. From provious experiences this water will be contaminated with dissel oil upon delivery. File is not really good anough,

As you tone both the South 011 Company and the Ministry of 011 has been asking for R.O.V water engaly units for a considerable time (ever 18 months):

be an electron that can be some very quickly to somen that these will be an electron upper on the formation. For this power close and this salest described the large of the formation quick that is a second quick intakenable. And the formation of the control to I ask yru placem if ynu can caeist in any way it wenië he moet approciated By everybedy concerned.

Kind regards, Paul.

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To sy aind there should be no connection whatever still femciation is 155 —

the still still should be no connection wherever still should see a separate session experience of the still should be sessioned with our Oil Inspectors. The remain sessioned officered with our Oil Inspectors. The remain still session of diseased by the laspectors in fallon are sending the wrong stignals to everypool involved.

The still regards.
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At present I as working on the mew contract with the DM for
the coming 6 agests.
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                                                                                                                                                                                                                                                                 Subject Oil inspectors
Author: Peter Beisfall can at SAVBOIT
Date: 05/22/98 20:39
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Kindest regards,
Feter Boks
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the M. Endow Ladder it was explained to be that them is now a chertap
of voter of the Pert of Mm Game, therefore the Angery was not fully Joades
by Saturday when the was originally scheddlad to owns to the Yarataal.
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The is now separantly broken down and when she will arrive is parally queservery.
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Dats: 0472794 77109
Persey: Menda 7710
Persey: Laguarda 100
Persey: Managarda 100
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Time : 17.00
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Bear Peter,

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restricted due to beste full and full Constantly beauties des servicely restricted due to beste full and full Constantly beauties due; to Store the service to the sentials bean carried on a saily by tip boses from the fort of the dest. Consquantly the juries time formation of the dest. Consquantly the juries time furnessed dissatically for the full of the four partials present () and Thomas of the constantly best to extra the full of 
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this opposite to be as and in groups and Iryes ormes to all concerned. Me of Septon II of the cornect of Septon II of the cornect of Septon II of the cornect of
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Maybe one day I will come to the office soon.
                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             The did not offer any type of the said it has threefore been assumed by the did not consider a source of the said that the same of the same of the did not the same of the did not the same of the sam
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based upon shipe figures with TWZ applied. When the is no TWZ information
we do not apply it. this becomes scamebat a contradication to any layeau.
                                                                                                                                                                                                                                                                                                                          Marker BANDAT NR U. As SAVEDOM
Pricery to Moneyal This Market Save Market Carpons
Recorded Save Market Save Market Carpons
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                                                                                                                                  I look forward to your reply.
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for each on behalf of

It is noted that in the spare parts list for the Southern region that satisf the support that is the listed I would support that leasing Teliable retains from as possible may be a specialise gouthern.

Your imply end opinions to this item would be highly appreciated.

SOLASONS

These people are in addition to the 29 expets that left Regulded today from the UNORCI office. It appears the Liopds surveyors are travelling with the full approval of the  $\Pi t$  in Beginded where Liopds have one respectative resident.

Firstbor to your enquirism to UN Beghdad on the Toan's behalf yesterday which was most appreciated.

CONFIDENTIAL Deer Poter. Rissan be advised that today two Licyds Surveyors left from Usa Gast to go kone via Reghdad to Assan, they had been telieved.

This wereas is pursuly emit in contidence for information purposes only. The seas he seems have not a signal to the control those in th

By the mound of this mays it appears that confusing and conflicting optiscos and instructions are baing issued to subcontracting firms by the Union

Author: GATSOLT MR.07 at SATALEON
Date: DATASYS 70:00
Excepty format,
Monage formulation 100
Form Except at LETY
Subject: 01 remainting 186
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Subject: 01 remainting 189 Kind myards. Paul Errands From I have another concern. In reviewing the status report of 27 Fe/95.

Openvektone, I note that it is indicated.

Openvektone, I note that it is indicated.

The improved victories Reserve the motor I hampor include more discontinued as and repeats expected to sake at least one each type and upper it when the upper lives the indicated intensit the considerably. As I manifold in every weekly report; they are assort/cored a laber to the to the Court of the court and the court of the court and the court of the Measign it seems that both the Terrinal and SOC stapty have to vait until seeming as done, Hease more that beas MIST and MIST, shigh you recently and on last year. have been under repairs and out of services for months now with wary little done about them or news received. Certainly any representation we have made on a local level either in Begindal or Berra has had very little effect. falling on deaf mars for most of the Law. I as also under the impression that the SOC has wery little influence over these asters; it is agree a Port Authoraty question, communication with that is not et all good. As tar as I know there is very little that can be done to empedite the repairs of this boat. The solution is of course to repisce the boats with reliable sew boats or. Better Mill, permit halloopiems to 119 betters the dorwards to its teasteant that over botter will be sevoled. ollowing coment was made on our previous weekly report: anther Strengtoff Majors Savingon Prontity Shound The Pier Space Savingon of Savingon Subject Ser of Savingon of Savingon Subject Ser of Savingon Savingon Savingon Subject Ser of Savingon Savingon Savingon Massage Contents Subject: UN Resolution 986 - Oll for Food Progress Author: Parks Boks-Soybolt/M at SAWBOIT Date: 03/07/99 10:30 Kind regerds Paul Edwards Dear Peter. Dear Paul,

In dimensing it with the Security Coundinator's Office, I was told that the repair of the regist of the country Coundinator's Office, using a security standpoint - i.e., using a sobstitute a significant security risk in case of esergency is there to empirity these registry lists of the constitute in these registry.

SECURITY COUNCIL COMMITTEE ESTABLISHED BY RESOLUTION 661 (1990) CONCERNING THE SITUATION BETWEEN RAQ AND KUWAIT

Letter dans, 15 blach 2001 from the Oversens addressed to the Chairman of the Security Conneil Committee established by resolution 661 (1990) concerning the situation bytween free and Kurwit

S/AC.25/2001/OIL/1330/OC.23 Sir,

In accordance with the Procedures to be umployed by the Security Council Committee established by resolution foll (1990) accordantly for influence between the angest Kerstlin the distributes of it responsibilities as required by pragraph 1.2 of the Security Council resolution 1966 (1963) the O.I. Overseen would like to bring to your estantion the fallowing irregularity.

The company Montega Thating (PT(Y) Lid. (contract M/09)06, approved 2 lianuary 2001) on 2 Fermany 2001 [John Lines and Lianuary 2001] that expenses a casego (and two-cases in the "come mary 7 of approximately 2 million hardes of Fearch Lide crade oil. According to the latter of credit; eachered by the Oil Orverscer, the crade and a 10 declination. Rather than the paining for the 10% that they controlled the tail to the Company of the Lianuary of Lianuary of the Company of the Lianuary of Lianuary of Lianuary of the Lianu

In order to provide proper grantisative of Iraqi crude oil sales, especially to avoid our potential demays to the revenue generated, and according to established practice, the Oil Oversear to not endowne any memberate in a time for established practice, the Oil Answers to be endowne any memberate in a time for established practice, the Oil and the should sale that integrately in this case is that the Bayer did not take permission to change the destination, possibly out of concern that this would not be greated.

The Oil Oversest are concerned that this case may be seen as an image opticity presodent which may be delinwed by other comparies and could potentially be demaging to the instant to the UN form scenario. The content is mighten but, see Oil Coversest in constallation with the Office of Lagel Affairs, propured "Verification" to be instant to ships Measter, which is explained in the student document. Additionally, the Oil Oversest will disouse with SOMO senestiones to

the stateful document. Additionally, the Oil Owengeen will discuss with SOMO sunsadaments to the oil ad-1- contrast and to the bill of lading in order to cheeful state that so change of destination is possible without 66 (Committee approved.

Accept. Sir, the assurances of our highest consideration

\$046836

NATIONS UNIES UNITED NATIONS

Paris deliver separate tegation and section and sections

OFFICE OF THE DAG PROGRAMME - BURKED CHÂNCE DU PROCRAMME TRAC

I refir to previous correspondence regarding the necessity to increase the number of Saybott oil monitors in Iraq.

In this commention, places find attached a self-explanatory issue from the Executive Director to the Permanent Representative of Ina, informing the Government of Iraq of this matter. We will know you apprised of any developments.

Copies to: Mr. Sevan Mr. Zarif Mr. Natr

UNITED NATIONS

NATIONS UNIES

AEF: ED/2000/GGUTT

20 February 2001

I have the honour to rates to Security Council resolution 946 (1995), and subsequential coolulines, yestiming to the homomistical programme in fraq and the fall implementation through cony-ration between the Government of ting and the United National Securitaria the Office of the Eneq Programme, as generated in the Ademocrathons of Understanding.

In this connection, I should like to refer to the transactions increase in the scope of the programme, and than, the exponential increase in the workload bodg handled by my office, at well being bandled in the field.

One of the area in which the workload has lucrassed overwhehmingly it that of the monitude of oil and of spec part and engineers, which is handled by independent importation of an all dependents are dependents, which is handled by independent importation are dispulsed to the contract sets at United Nations. According to our figures, in fautual 20 of the west supportantable 159 weekled commissional near too takes established by involving the commission are too the serial by Council Coro independent of the armader of commission are approximately 550, as 240 per cert increase. This perimeter, the named of commissions are approximately 550, as 240 per cert increase. This perimeter, down or tenford the dark that the number of certains and many of the year, the perimeter and the hand in termine of the commissions are when it is the contractivities in frames of processing as present the March 200 to 24 to 00 to

..... Melaharri of Al-Douri Ambassador Extraordinary and Penposentiary Permanent Beressiaskin of Enq to the United Nations New York

\$046853

12/10/99: traqi Oil Smuggding

Page 1 of 1

U.S. Department of State Office of the Spokesman Press Statement

Recently declaration smaller photography reveals that fraq continues to emuggle oil in volotivine of the succious at a fine when the Government of first has reference volotivine of the Succious at a fine when the Government of first has required to set for the oil-feel look program. While they retained to set for our eithights in the succession of the oil-feel look program. While they retain the result in the succession of the regime a head of the first of the succession of this regime a theed of those of the property of the succession of the regime a fixed of these of the propels of tree.

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Stall's photography alon on November 26 of this year does sell teaters hading gas at a feel year back to the the third of the country of a sell of the country of the count

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OTHER THAT TAND AND EXER MITHOLISMO BY THE U-H TO LEGALLY MARKET
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2/2/00

http://www.fas.org/newwicaq/1999/12/pa991210b.htm

7. Pols\* <p, behalf compounting com> on 02/01/2000 10:18:53 PM

Pater Boks < Peter Boka@compuserva.com>, Pater Boke@Saybott

Press Statement by Janua B. Foley, Deputy Spokeaman December 10, 1999

Iraqi Oli Smuggiing

These Ulicit oil exports via the Persian Calif veraged about 70,000 barrels per day in Noversher, the highest levels since sendions have been in place. Dering the last neoth, Bargalvid example on estimated \$13 million from this track. At the same since, the regime Suddan Hussein has rejected a two-week and a cone-week extrassion of the oil-fire-food program.

Occ again, the pridence thoses that Saddam Hussein has no comparation about prevening the instructional community from behing the people of Iraq, while at the same tene ensuring that he has enough mosty to line had family's pockets, to build ablance and vassions villages for regime supporters, and to buy prabiblined goods, including impast min WAD.

スクムフィンボ

CONTRACT PTD/127/0065-96

THE UNITED NATIONS

WHERE.AS the UN, in hurbarance of the mandate of United Nations Security Council Resolution 966 (1953), wich as on gauge the Communer to produce services of individuals employed by the Communer with partial experience and qualifications to assist in monitoring the export of periodeum and petroleum products from I-rq on the terms and conditions set forth in this Comment:

WHEREAS, the Contractor represents that it is qualified, ready, able and willing to provide these services on the terms and conditions set forth in this Contract;

NOW, THEREFORE, the Parties hereto mutually agree as follows:

CCATESO

COMPRACT NO. PTD/127/0065/96

ARENDERET NO. 1

SAYBOLT RASTERM REMIRPERER BV PROVISION OF INDEPENDENT INSPECTION AGENTS

S)

FOR THE

THE CHITED MATICUS

BRTWERE

181 760 S 334 156.159

SAYBOLT EASTERN HEMISPHERE BV

FOR THE PROVISION OF INDEPENDENT INSPECTION AGENTS

This Cutzaci is extend into by and between the UNITED NATIONS, as international inter-governments organization, while the bedquarter in New Yord, N.Y. (1017), 102, Chestianter referred the United Nations' or 'UN', and SAYBOLT EASTERN REPAIRSTERRS BY, a corporation incorporated under the internal for Michaelle, where git is backquarter at P.O. Box 151, 3000 AD Sementain, The Michaelle (deminder referred to as the "Contractor"). The United Nations and the Commones are collectively bestitather referred to as the "Parties".

WITNESSETH

All other terms and conditions (including price) shall resain unchanged. IN WITHRES MIXEROF, the Parties have executed this amendment.

Under provision of Article 2 of the original contract, this assembleme is issued to extend the original contract term for an additional six (s) souths period through 30 November 1997.

For: neybolt mestern Reminghere B.V. Signature: A

Menager Business Development June 2, 1997 Peter W.G. Boks

Title:

Opered Battons

Alan B. Robertson
officer-in-mars. Process
6 pre 199



RULTRY

#### ARTICLE 1: Contract Documents

- 1.1 This document and all ameases hereto, together with the following named documents, which are incorporated festively by reference, constitute the entire Contract flowerin referred to 41 the "Contract") between the UN and the Contractor:
- (a) The Respect for Proposal issued by the UN and dated 11 June 1996, under reference request for proposals for the Provision of Mangewinder Expert in International Oil Trade\*\*, as modified by the communications transmissed to the Contractor by the cumumist attack 52 June 1996, 15 July 1996, descriptor referred to as the "RFP"); and
- (c) The Commence's Proposal deard 17 June 1996, as modified by the communications arounding to the UN by factainflat dated 28 June 1996 and 18 July 1996 and by an undated factainfle seet is response to the UN's factainfle dated 31 July 1996, (perenative referred to as the Proposal').
  - 1.2 The following America thall form an integral part of this Contract:
- Aunex II. Security Countil Resolutions for General Countain:
  Security Countil Resolution 996 (1999) (hereitainter referred to as the National III. Securition 796. (1999) (hereitainter referred to to think Aunex III. Resolution): I Universality between the Securements of the United Nations and the Coverment of fined on the Implementation of Security Council Resolution 396 (1996) (hereitainter referred to a nite 'MOU'S; Countil Aunex IV: Procedures of the 661 Countilines (hereitainter referred to a nite 'MOU'S; Procedures 7); Aunex IV: Medical Release Form:

- 1.3 in the case of any inconsistency among the documents contributing this Contract, the following order of priority shall apply:
  - this document and Ameres I VI hereto; the RPP; and the Proposal. 389
- 1.4 It is appretely agreed than this Constant embodies the entire agreement of the Parists with regard to the adopter name traceful, and than operation, understanding, obligations or agreements, vertegs or otherwise, east between the Purise scoops as herein expressly set forch.

#### ARTICLE 2: Term of Contract

From the Efficience Due of this Construct, specified in Article 15 selven, this Construct shall be in first them that the real and 10 sensor, and 10 sensor, and 10 sensor for this forester. The UN shall have the right, it is not option, to extend that Construct on the stars of this and extended the theory of the stars of the sta

**LEACKIS** 

the expiration of the than current term. After the expiration of all such examinous, the UN shall have the right to extend this Contract on the same terms and exactitions for successive periods of its (if) contract such by the UN contract on the terms notice of its instantion to do so not lets than fifteen (15) days prior to the expiration of the than current term, subject, however, to manal sprement by the UN and the Contractor to a revised prior for the Contractor's services.

#### ARTICLE 3: Objective of Contract

In Scaulty Council Resolution 996 (1989) directs the Security Council Commissione embilished by IN Scaulty Council Resolution 66 (1990) (persinther thereford to us to "Commission black the management of the Commission of the Com

## B. RESTONSIBILITIES OF THE CONTRACTOR

#### ARTICLE 4: Score of Work

- 4.) The Cognetic undertakes to provide independent imposition again (acreticallar referred to as the "Agens") as required to achieve the objective of this Coenter. In particular, the Contractors thall provide all services and material set forth in the RPP and the Proposal.
- 4.2 The Contractors shall provide fourteen (14) Agents selected by the UN from among the individuals standfied in Fropposal as represenced and destilled to conduct the imperiors wire. There shall be no missistation of the Contractor's personnel without the UN's prior without content in each instance. The UN inserves the right, is it is the deferraction, to increase or reduce the number of Agents at my from, in which event the Printies shall minushly agree on a proportional estimate adjustment in the contract price set forth in Article 7.1, based on a labour cost of USS275.00 per manifully.
- 4.3 The Agents shall monitor the asport of petroleum and petroleum products from Ireq in accordance with the requirement and applicationals and forth in the Procedures, the Reib and the Procedures, the Reib and the Proposal. Such monitoring will be based on the documentation provided by the Oversors, on in the Proposal. Such monitoring will be based on the documentation provided by the Oversors, on facts otherwised, as well as on quantity and equility verification. Upon nordication by the Oversors are the maniform that been approved, the Agents of Oversors that a take nontreal has been approved, the Agents of the March Procedure will maniform to thow of provision at the Kinth Krammalia publics and, by tross-ducking the quantity of all measured by the meters with that measured as the Cybral and from, will write the Agent declaring the accounted for. If the Agent decent are integrated, they that immediately had the loading of the performant or percolumn provinces and report such integralativity to the Committee and the UN Secretary-General.
  - 4.4 The Contractor shall be responsible for making the necessary strengements to ensure the fulfilment of the obligations when this Contractor that perform its obligations under this Contract in secondatase with the Magnet professional standards.

278

- 4.5. In performing their obligations under this Contract, the Contractor and in personnel shall comply with the Bandinkon, the Procedures and all procedures and instructions stipulated by the Contractor.
- 4.6 Within four (4) weeks of the Effective Date, the Contrastor shall submit to the UN for its approved it destands path excelling the control and supervisory mechanisms (i intends to implement. The Contrastor hall implement the plan promotify after its approval by the UN, subject to any research modifications the UN may require.

#### ARTICLE 5: Contractor's Personnel

- 5.1 No person shall be susigned by the Contencior to provide services under this Contency unless the University of the Properties Individue the Reservice shall person writing. Without limiting the United Nation'right of approval under Articles 4.2 and 5.2, in addition to the foreign (4.0) Again sected by the University Nationa shall delaying a second of Additional Person from among the individuals identified in the Proposal who are acceptable to cerve as replacement Agents under this Contrast.
- 5.1 The United Nations may request, at any time, the withdrawel or replacement of any personnel of the Contravel or tailor of the Contravel or tailor arrives under this Contravel. The Contravel tail. It is over cost and argusts, withdraw or replace such personnel forthwist. The assignment by the Contravel of tay replacement personnel shall be subject to the UNY space written spectoral. A be electred a semisimized or withdrawel or replacement of the Contraver's personnel shall not be the contraver.
- 5.3 The Contractor shall be fully responsible for all work and services performed by its employees, agents, services and sub-contractor. The Commeter that hate all reasonable measures to enter that they respect the local customs and conform to the highest studieds of notal and and all configurations.
- 5.4 The Commetter shall ensure that all personnel used to perform services under this Couract are adoquisely covered by insurance for any service-related illners, injury, death or distolity. The Contractor shall submit proof of such insurance sentificatory to the UN before commercing any work work this Connect.
  - 5.5 The UN shall not be liable for any action, omission, negligence or misconduct of the Comment's employees, agens, serving or sub-confinences not for any unemnee coverage which may be measurent or definitely, not for any cent, expensed or chindren and the contract contract or confinence and confinence and confinence and confinence and confinence and confinence and confinence or chindren assected with any timest, injury, death or distability of the Commencies campioners, servings, or sub-contractus performing services in connection with this Comment.

5.6 The Contractor shall ensure that the Agents are at their stations and ready to commence work under this Common within five (5) days of the Effective Date. The Agents shall be stationed as follows:

Locripa No. Interestora No. Streetisora Corine Mar. N. Batr. 5 1 Mer. ng Saulon it 3 1 Its Tind Tunkey booder The UN reserves the right, at any time, to alter the assignment of the Agents set forth above, at no additional cost to the UN.

### ARTICLE 6. Bewarting Requirements

- 6.1 The Contractor shall salumi to the Committee, through the Overseen, weathy reports in vortine describing in death the articles reformed ander the Contract officing the prevading west, including such information as the Overseen, the Committee of the Proceedings may require. Shall report shall be transmissed to the Overseen via satellise facilities or, if wellable, electronic anal.
- 6.2 Immediately after the louting of oil under each sales contract approved by the Overseens is complete, the Contractor stall fullow the Deverseen to the Centerior stated for except of the Contractor stated for the Contractor stated for the Contractor stated contract. Such details that is called sea the information entaing to the louding at the Overseen, the Contractors or the Procedures may require. Such details that it are under not on the Overseen via statilitie to depote a satellite featuring or if vertilable, electronic

### C. CONTRACT PRICE AND PAYMENT

#### ARTICLE 7: Contract Price

- 1.1 In this payments for the complete and satisfactory performance by the Contractor of skil its obligation was the first contractor of skil its obligation was the first contract and the contract of the profession for the first contract and the first contract contract and the first contract and the first contract contract and the first contract c
  - 30% after 3 months from the Effective Date of this Contract.
- 30% . after 6 months from the Effective Date of this Contract.
- 1% upon satisfactory completion of this Contract.

COUTER?

SPATER

1.2 Popuents under this Contract shall be made only against receipt of Contractor's written invoice and excitation by the UNI shall be excitent represented by the invoice have been standiscurity computed. The Contractor thall submit it invoices to the UN, Accounts Payable Unit, 86 of United Nation Plans, Room AcCOS, New Volt, N. S. 10017, opether with supporting documentation to enable perpent. All invoices shall make reference to the number of this Contract (FTD):1770055-90; and shall be payable on a net therry (30) days basis.

#### D. RESPONSIBILITIES OF THE UN

#### ARTICLE 8: Identification Cards

The UN shall provide the Course.or's personnel with appropriate identification cards.

# ARTICLE 9: Access to Transport and Medical Pacilities

- 9.1 The United Nuitors agrees to allow the Commetor's pervoored to travel on UN provided transport to, in and from Iraq erricaly for the following purposes:
- (a) evacuation due to security developments, on the understanding that such evacuation stail he to the nearest safe area; and
- (b) medical encausion due so sariosa modical consitions, provided that encapsusy country needed, et de Constactor's personnel will be from theocourcy sites to an in-country medical facility or transportation out of Iraq to an out-of-country medical facility in an appropriate meighbouring consury.
- 9.2 In consideration of the Contactors's personnel being permitted to travel on UN-provided removes and of each personnel shall stiple in clase from thislifty in the form arrabot hereto at Amera's, prior to fair trasport on any UN-provided managements. The Contactor manderates in solution for signed extensive and to address the signed on the UN-provided management.
- 9.3 In the event dust the Contractor's personals require extergency motival treatment, the UN agent to table and protected the state of table and personal treatment thereto is variable UN motival facilities, in consideration of the Contractor's personal being permitted to table such UN motival facilities, and or describes, and or motival facilities, and or describes, and or motival facilities, and or motival facilities, and or motival facilities are completely and the relates from including the form suched betto at Ameri VI. The Contractor intercubates to obtain the support relates from and motivates and to distinct the support original to the UN prior to the employer; it
  - 9.4 The Contractor hereby releases the UN and its officials, employees and agents from any and all liability of my nature varieties to nonecone with the protection of the yearses to the Contractor's preparate under this Arcide 9 and waives any claims the Contractor may have against the UN, its officials, employees or agents artising in connections with the provision of such services.

#### E. MISCELLANEOUS MATTERS

# crick 10. Contractor's Obligations Unso Expiration of Termination

Upon expiration or termination of that Contract, the Contract thall take immediate steps to remine its operations in a private tast extends and states and shall provide such information and take such actions as may be resolvely requested by the UN for the preservation to sporection of (i) the tast are released performed by the Contractor and the results thereof and (ii) all property of the UN provided to the Contractor.

#### Artick 11: Linken and faspection

- 11.1 The UN reserves the right to impact and test all services performed by the Contractor under this Country, to the teams predictable, at all reasonable places and times during the term of this Country. The UN shall perform inopections and tests in a manter that will not unduly hinder the performance of the services by the Contractor.
- 11.2 If any work or services performed by the Contractor do not conform with the requirements of this Contract, the UN shall have the following options:
- (a) If the UN determines that the improper performance can be remarked by very of reconfiguration of our controlors married by the Controlors, to the Unit of the UNIV the
  Controlors in virtual to that and the Controlors that it since experts to the UNIV the
  controlors in virtual to the tend the Controlors that it since experts of the UNIV the
  control of the Property of the Control of the UNIV the UNIV that the UNIV the UNIV that t
- (c) If the Contractor does not promptly take corrective measures or if the UN renormby regretations that the Corrector is unable to timely remarky the improper performance, the UN may obtain the axistence of other entities or persons and have corrective measures taken at the expense of the Contractor.
  - (c) If the UN reasonably describins that the improper performances cannot be remodied perpendentance or other concerns measures by the Construct, the UN may termane the Content in accordance with Article 15 of the UN General Conditions for General Common without projudice to any of its other rights and remodies which this Construct.

# 11.3 Nowithmading the RFP and Proposal, site witts by the UN to impect the services performed by the Contrastor shall not be funded under this Contrast.

#### Acticle 12: Termination at Will

In addition to the summination rights provided to Article 15 of the UN General Conditions for General Contracts, the Umay terminate the Contract Window ctans, in whole of to girt, which they (30) days written notice to the Contractor. In the vents of termination pursuant to this clause, the UN shall only be responsible for payment to the Contractor for services salidatearthy performed

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IF TO THE UN (commu

United Nations Areans, Boom No. 5-3035A 4246 Steels and First Avenue, Boom No. 5-3035A Area York, NY 10317 Area York, NY 10317 Area York, NY 10317 Boomery Council Subsidiary Organs Secretaries Services Branch Fax No. (212) 965-1300

Notice by overlight mail or recognized coverlight delivery exists, and be effective on the due it is officially accorded to deliverable to retrievable to the internal exists of the control of exploration of the control of exploration of exploration of exploration of exploration of exploration of exploration of the communications and the control of exploration of the communication of the control of exploration of exploratio

### ARTICLE 15. Bifective Date of Contract

This Courset shall ake effect upon the UN's written notification to the Contractor that the Agents should commonse mobilitation (herrisafher referred to as the "Effective Date"). If the UN shall fail to so sendy the Contractor within ass (6) months of the figuring of this Contract, this Contract shall be then list wide.

THE OSC / PTD Hange Barbers Des.

16-58-1996.

ATTACHMENTS

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The Contrator shall be responsible for customs clearance and obtaining all instructs, permits and authorization from governmental of other studenties necessary for the performance of his contract. The UN shall provide resemble assistance to the Contract, by listing a spropriate with reference and succinities, in the clear of the Contractor, by insting a spropriate with reference and succinities in for the Contractor, by instead and permits for clearing through customs and experiment, married and supplies in connection with this Contract.

Novembarring the Registration of the Contractor of the Contractor with a consumption or use of the Agent. If my future obscurraction is designed in the finant outcomed and stating out, and he flower by Convertness and other in the contractor with a consumption or use of the Agent. If my future occurrentation is required in the flower by Convertness and other in the confidence of the Contractor in Obtaining such documentaries.

in accordance with this Commer prior to the effective date of remination. In the event of partial termination, the country lists shall be proportionately reduced, based on a labour cost of the manday pite about the control of the c

#### ARTICLE 14: NOTICES

Busing as otherwise appelled in this Context, all notices and other communications required or contemplated under this Context shall be in writing and shall be delivered either by: (1) personal cellulary in recognized overrappic delivery (iii) protaga prepriet, resum receipt requestic certified but (1) confined delastine transmission, or (1) delagtum, addressed to the Printy or Puriet for whom intended at the address about holes or not) other address at the intended recipient greviously shall have designated by written notice previously given pursuan to this Contract.

#### IF TO THE CONTRACTOR:

Sayboli Eastern Hemisphere BV P.O. Box 1 3000 AD Roterstan The Nutritations Am. Mr. Graham Beets / Mr. Peter Boks Fax No.: 31-10-4334600

IF TO THE UN (com

Procurenent and Transportation Division 866 Ultimod Nations Plans, Room No. A-6104 New York, NY 10017 The Mr. Mr. Alba Robertson, Officer in-Charge Procurent and Transportation Division/OCSS Fax No. (212) 864-9888



### FAX

# REPORT OF UN INDEPENDENT INSPECTION AGENTS PROVIDED BY SAYBOLT INTERNATIONAL

### STATUS at May 19th, 2000 OIL MONITORING

1. MONITORS ON STATION
1.1. Mina Al-Bake 6 staff members in total. (one certoute)

Russien Portuguese Russien Russien Philippices Russien
V. Alkhazov R. de Souze V. Berkhatov V. Polyakov D. Surgson A. Popov

Russian Russian Russian Furland Estonian Dutch Kussian 1.2 Zakho: 3 staff members in total
8. Salwayous 8. Salwayous 9. S. Akhaiov 8. S. Akhaiov 8. S. Akhaiov 8. S. Akhaiov 9. S. Akha

120 III Doplant stored A 117	ż	
S TWEE	LOAD DATE	STREE ASI
Hellespon Paradise	13/05/00	2,033,335
Emma Maerak	14-05/00	1,997,755
Stena Concorda	00.50.51	1,333,223
a a	16'05'00	949.767
Chevros Atlantia	18 05/00	994,300
Tine	1005/00	2,289,073
Seassaster	19/05/00	1,626,493

# ZAXHO 2.2. Volume metered in the period was 6,027,991 barrels

CEXHAN 23. Volume received in storage tanks was 6.184.475 barrels

## 2.4. Vessels loaded in the period:-

NSV 891.5 995,167	1,025,629	596,531	995,152	995 424	396,921	1.817,900
LOAD DATE	14/05/00	16405/00	18/05/00	18/05/00	19/03/00	19/05/00
NAME Krowika	Crude Bre Nired Jahre Tarmes	Gelibah	Lillo	Borta Tapias	Challenge	State Convoy

## 3. CESERVATIONS

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United Nations Nations Unies

To: Mr. Alexander V. Kremas A: Oil Destrees

(a. With professes to the question, whether properts to inchesticates of fees and other anguests destribed from parts stories would concrete and a regularises of processes of processes of eff condition for the processes of the

7. This position was makesquently relicenced in another latter of this confidence between the first confidence of additions of the first construction of the confidence of the first confidence of the first confidence of the persons in the first confidence of the persons of the latter of paragraph of the feature of the persons residence, in the latter of paragraph of feature of those for the first, or the persons a confidence of the first of the persons of the first of the first, or the persons of the first paragraph of the feature of the feature of the first paragraph of the feature of the fe

if it was also emphasized in the second letter, as well as it other cases officious of this Office condemning sequents for services in frequency, no fail indeed to menticize imposed by Security Gought excendency of (1997), such Yeas and Changes must be paid in resquisation (state).

9. Taxoford, alth released to your question we are if the view that playment of part cents to the trief subsection will not garge by inconsistent with the succitive foundation adjusted for the succitive foundation adjusts first as long as the sharpest in question do not seemed whethere make in the disconsistence by automotive the successive first part in fragility as pit in fragility and passentials and no long as pays any pit in fragility distant.

We noted from the correspondence that the Iraqi Government requests her port charges be paid not to the Iraqi authorities, but to "site for

to prevent dark attended form adding antiplate of a foregrament of the open subjects and for smallers of the open subjects and form of the open subjects of the foregraph of the open subjects of the

BATH: 13 June 2000

Zon-oit-oias wenger: Laggitty of port abstract La Trag

1. This is in respect of your ammorandme of 30 kmy 2000 with restaunces in the commendation from the information and assembled assembled on Linguistics of interpretability commentary the steeks informers by the commence of these of proceedings in the total steeks in the steeks in t 2. We took note in this request of the face that personable in its communication refers to the base charges as a treation and personable of the face that an economic while the base charges as a treation and of the face that an economic and the increasing provided to the offices of the list of Forgian by Equilibrity. It is a command prescribed to the offices of the list of Forgian belowed to the offices of the list of the forgian of the list of th

In their communication repeating the increase in any cleatest a copy of which as strended to the chattleatheas reserved by the Gib read alpholic, the first subscribing series they these charges are locad in order to move cost of additentance of AL, make Gil servical land estronding that services such as expending that services such as true application.

In the light of the foregoing, piesse be advised as follows with reference to your inquiry.

1. The observations will paragraphs of a menticy Countil resolution (ed.)
(14.8) of a bound 1800, and a menticy Countil resolution of the saccious region appears by the analysis Countil States and States and States and Postitive for matter, and analysis of the observation of two parts and productile of an additional to the saccious and the Voltak of the Theorem (ed.).

Peter Boks 08/08/2000 04:07 PM

the W

HATTONE CHIES - MEMORABLICH SHITTEN

is must browner be said that it is common practice that purt charges are been to the port charges are to the charges proposed are co-parison to other ports.

Kindest regards.

5049742

It seems that untill recently a fee of USD 1,500. was asked for each votes.

The seam of lasted to Kina all sake but also applied for e.g. Umm Quar.

The precision was that some Captain's paid that fee from their party cash, of these seathers that the seam of the seam o To: scheed@un.org co: Schlect: Port cherges in Inq Dear Stephani.

transportation and quantal taids company, Amena - Josefer Watch has been varieties with that speak one of the tail that speaker should be deposited in the stroom of that company is the software should be deposited in the stroom of the tail that the second of the same and the transportation and quantal that company, have a premaintenance of the same and the stroom of the second that the second that the second the second that the second that the second that the second the second that 
12. That paing so, he payment should be hold to the company options and reflects and until 1st contenter with the Tangal antibulities has been approved by Tak 611 Committee. To be absence of such approxis, tappying the payment deposited in the center National Mark will be in rightning of the National Action of National Action Action Section 1997.

cc Ms. Staphani L. Schaer

UNITED NATIONS MATIONS UNITES

OFFICE OF THE BAQ PROGRAMME PACKBELL

URGENT

			-	
Ä	Mr. Peter Boks		Fax	Fax: 3110 4601 299
_	Saybolt Nederland B.V.			-
From:	Stephent I., Schoor		Pax	Fax: +1 212 963 1984
	Chief of Office		Ë	+1 212 943 6550
Subject:	Pert charges in Iraq			
Dete	7 June 2000	Number of pages (including cover page): 3	Cavet	poge): 3

Please find attached a copy of a tester received by Mr. Kramar from Insertunko, which he forwarded for comment to the Office of Legal Affairs.

I note from the latter from internatio that 'until recently vessels leading at this term was sorrully charge USD 1,500,00'.

i would be grateful if you could provide us with some information as to steader practices, particularly bow this money was being paid and as when posits post once were increased. I would also like us brown how this compares in relation to other oil sproducing countries.

I would particularly see that, it was of the senctions imposed on Iring by the Scourif, Council, I would appear that the pymean of these charges would be in violation of those waxistions.

Thenk you for your prompt attention to this matter and urgent roply.

Copies to: Mr. Sevan Mr. Golitsyn Mr. Kramstr

Sause DCL-1584, New Yords, AY 18827 o Tabl 122 863 688 o Pase 3 225 863 1884 o Bate/hower an argidogenius

S049744

Peter Boks 06/08/2006 04:17 PM

To: scheen@un.org oo: Subject: Port charges

Dear Stephani,

In addition to my previous small, port charges applied at e.g. Moary Island at 80.22 per matric ton.

for loading a vessel with 190,000 matric tonnes, this would give:

Country Iran

17,580.-

Pax to follow. Mast regards, Pater Boks

ALSTE 339, 25

To district the transfer of th

... .... ... rutedatesta inmatatadio

30 May 2000 skipel invitediation

Dear Strs,

Port cost in connection with all expart in Iraq

First of all we will introduce INTERTANKO (The Limensedonal Association of Independact Turker Owners); on what we do, what we stand for:

INTERTANTO today comparises 245 Member companies in 45 mentione countries, por operating over 2,000 vessels, insuling about 175 million DWT charter and combinate contrage, or stear 75% of the sighls hadrenderny overest formage. We share fresh free 3d Associates Members, We share have 3d Associates Members, We share have a highle include oil companies, shipping agents, port subbotified highert law firms, ship brakes, immense temperatine, observation suppliers and host of other companies netwerd to the nation vindensry.

INTERTANKO prima goals are to presente a free casé competitive tentar starbat, to work for safety at sea and the protection of the environment.

INTERTANKO serves as the spokesmus for independent under owners and represents in number through interactional governmental organisations. The Association provides comprehensive information services that from af our monthly electric letters, and sub-set set forms for disoussion on under related issues.

INTERTANKO is represented on all major DAO sommitives, and sub-committees, and Monther companies often participate actively in INTERTANKO work within the DAO.





We want to present so issue roomity disclosed to the Association. Drue 'is nort cost fressure at Al Baix Of Terrainal, frug 2

Goor on

Base' on advice from the long form Co. for Water Transport, Baserh several of our ment-us report that as from 1 Jun 2000 the part earls as Af Bair Cill Tomilial, Inch has some and densically. Until recently vestels londing at this seresting was normally obange. (233), 190,00

Extra: 07 the "bang sam" peat cost in UED hasad on CT: Lase 'en 25000 11350.00 1500': 19000 17580.00 2700: 19000 25000 07580.00 2900: 1900 25000 17580.00 1700: craptor 27,000.00

The at 'n agency informs dure the reason behind the new suiff if the cover maintenance cont (or the terminal including the cose for extending the newine services (pilotage, herbour naure; monthly buttoning, such to a foreign company.

INTERTANKO endesvour to have the implementedore pessponted in order for the inde-to eday; to the town inflanted in the Registra medic. Printens, differences accor-tionalist of on the pass motific have already less reserved by indeed operators.

The W-detecto Association has been informed. BTERTANGO is also scooling advis from v-ratous sources including investigating the validity of such increase vs. fize D Sanction.

INTECANNO would like to know the recent state of the senctions against free, and specified by the spail of the free of the free of the free of the sent is soon organized by the definition of the set is soon organized to charify this issue in order for the Worldschle Association and INTECANNO to and we the worlds oil transport operators.

We kindly request your assistance in directing this flux to the correct section/person within the University Assistant.

CA4074R

Januar Kausten 5 Gu ver Kristen Benermela som > en 01:10:2000 03:34:38 A medical train, has just fore faithers as to fred retail of landport.
A medical train has just fore faithers as to land also distance from the faither faither from the faither faith Regisson, 278, P.O.Bos Sidd, Majoretus N-536 OSLO Vagas / Part + 47 27 13 26 41 Visit DATESTLAMD at MED///www.intertanto.com Nationgloss-//mandematicationso.com (MAX/2000.ACM).mandematicationso.com Subject: FW: Mins at Beix port descence denied UNITELY2,000 alls for transportation and general trade company, MR. SRAD, and 1984 and 1 To: United Nation (019) Mth: Hs. Staphani Educ at:
In arder to cover out of maintenance of al-baires) temmed.
In arder to cover out of maintenance of al-baires) temmed and out of extending marine services such as tugs placety manual marine.

Mariner: mostrog/ugmonting etc..verlaws extensived this operation to mass: the jorden national bank second in 13/4893/33 secon At promited. lengs state co. for water transport - bastah ( as agents )) erschrevonneragongenter ane T. RAPPORT ner unerschausenen TX-8X NR
TEL. AANSLUTING
1D AANSLUTING
ST. TIJD
GEBR. T.
PAG.
REBULTAAT 39/05 30 TW ALLE TA TORNOGOROGO telem no 4 23/5/2000 basrah 23/5/2000 to: uzea e.a. geneva fn: iscyt baszah VERZENDING ON 

S052552



The laterestical Assessings of Independent Post SAPE TRANSPORT, CLEANIN SEAS AND FREE TELEFAX NUMBER OF PAGES: 2

Ms Stephani L. Scheer United Nations, Office of the Iraqi Programme New York U.S.A.

Thursday, October 05, 2000 GAK/FI UNITE002.DOC

Dear Ms Scheer,

Further deterioration in Mins at Bakr

Reference is made to my fax dated 2 October 2000.

INTERTANKO has today received further adarming reports related to part operations in Main at Bailer. A manager vessel was about to be distanct for a crucial citing ago of all all all all all all all and the control of the characters as the freqs refused the thip load port clearance. The reason was the vessel's firstal to pay requested port dishusement during its previous call in lane 2000. The constructed that the black listing is pagged to the vessel and not to fit owner, at least in the mentioned case.

We are extremely concerned to find that the amounced black listing has develope more than on empty ther. In combination with the recent seven day "punish more than an empty other. In combination with the recent seven day about to be to be lest under under, we see every reason to expect that the black listing is about to be to lest under under under every reason to expect in the most disturbing that main victims are owners refusing to breach UN Sanctions.

NTERTANKO therefore retierates the urgent need for LN action against this Iraq aimed to remove black listing and bring port conditions back to normal.

We shall thank you to give this marter your urgent attention, and are awaiting your response.



Phone: Fax: Web Site: Ma Stephani L. Scheer United Nations, Office of the frantas Programme New York U.S.A. TELEFAX NUMBER OF PAGES: 2

Monday, October 02, 2000 GAKAT UNITED LDC

Dear Ms Scheer,

Menaging Director: S.
Asia Representative: M.
London Representative: R.
US Ropresentative: S.

Detention of sunker at Mina al Bakr due to non-payment of port disbursements

We are INTERTANKO, the international Astociation of Independent Tather Owners, INTERTANKO today comprises 260 Member companies in 44 martime countries, now onesers, or expromentally 1904 of the Station Der Teather and combined comparing some 2,050 weath, today in the digible tomage. We also have 330 Astociambers, including and companies, altipring agents, altiprized, law firms, ship brakers, including oil companies, altipring agents, altiprized, law firms, ship brakers, insurates companies, consultants, marine suppliers and a host of other companies related to the taker shotory.

The issue of threatened black listing of ships has recently taken a nun for the worse as INTERTANKO has received a fresh report of a tanker being aget waiting for seven days due to non-payment of the dues. The owner's shally requests for berthing prospects were mate with coal silence and no explanation for the waiting time was offered.

The fact that the Iraqi supplican now have decided to punish an operator who refuses to breach has Security Council sanctions regime creates an externed-lifeth it stituation for owners and charterst. As per the Legal Department of the UN, payment of port cont as per new unif of 1 July 2000 has been termed lingual and in violation of the UN Sanctions, unless studied in legal Dinara. As far as the whiter and others consulted are informed, this currency is inscessible for international banking purposes and can therefore not be considered a viable solution.



United Nations, Office of the leng Programme Page 2 Monday, October 02, 2000

\$052564

As an organisation representing the univer industry, INTERTANKO finds it unaccopushie that coveres and characters are faced with two impossible oblocies. Single appearably risk either being detained for an unspecified period at the daily loss of some USD 6470,000, or be freed on voilste the UN Sanctions in order to ensure loading as per charact party. After stirely owners may refuse to pay the requested part cost and take the chance of not being declared, which will introduce harder uncertainty.

It will in light of the current situation we betwey brinks be UN to inform us which efficient nearest instigued in response to the Inspiry violation of the Security Comcil Resolvier. These finfuld be situated to part in tenseliate step to the unacceptable hearst and of owners infing runds from Milks at last would the Coli for-proach cyrolicate are not in invasions a method of payment, which owners can legally follow:

We hereby urgantly invite your guidance and appropriate action on this vital issue, which will be vought to the prompt attention of the UNTERTANKO membership.

In case you should wish to discuss the issue on the phone, I shall be pleased to hear from

Best regards

The two Meritan American Manager, A condens and Common Manager, Peers and Terminals Section Bendle Spring Lindson Commission of Person (MTRETANK)

To:
Beion Ecision Digo - China Digo - China Digo - China Digo - Many Tang
- Lilih Tang Brastania con > Manganad - Likanganad Pilanganad Britatania con > Jooci Cathan
Betti Gunna Kwatan CGuns Couthan Gristianko camo da 02/10,2000 12:56:06

Subject: INTERTANKO request to UN ref. defenden at Mins at Bake

Dear all.

As a member versel recently was detained at Niha al Bakr due to non-payment things; por full datherements, Intritivable has sent the strands request to the underdetaily hold the May to finding a legal structure for the bandling of port disburnements.

You will as usual be kept informed of all developments. Kindly direct any gussions and relavant new information to the undereigned

ONITEODI.DOC

UNITED NATIONS

EMECATORIS GALLICOS TO TEXTED

NATIONS UNIES

Chief of Office Appear they yee dutys These Capenides Into (SOURCE. PROTECTED)

In this commercial, the question of the focusion of year charges as Miles AJ Matr and Chart Days by the Conventionant of They was investing to our attention by Support to Free 2000. We assemble to our CHEAN of Lagal Addition for softies.

Ą,

NATIONS UNIES

Therefore, the paramet of yeat corns to the lively sufferables ggilgg is not I with the second Channel against live, to long as the second where the second submitted in the second submitted to the distributions to be untromery may fail to large at the gradual coay as paid in lively direct.

To love jarmed, however, that the Government of heat, is repossible the post charge by paid and to the love "that the respect that deposits and the first heat of the post of the charge and the first heat of the post is quadries, the charge the charge the deposited in the account of the bottle in the first heat heat.

If and is no for as "with five transportunion and parameters are as cornect responsed Burd."

Journal, 14 and 16 a

Themfore, no payment should be tracks to the company conscend tables and wall in counter with the lived, emberties has been approved by the bloomist Commission. In payment, or approved, any proposed, only the benefit Commission in whitten of the sections regions accordingly by the Security Connect.

In a least dand 37 June 2000, addressed to the Permanant Representables of Engine the Linite to the Minister Director asked that the table seaters of constant be brenight to the seatests of the relevant subscribes in Eng.

Rest refe

S052578

Gasham Bratt 18/08/2000 06:27 PM

Subject: PORT COSTS AT MINA AL-BAKR, IRAG To: arahuf.dgra@intertanta.com

TO: INTERTANTO, OGLO FAO: CAPT STRINGE ER. DIGRE

CC: PETER BOMS, BAYBOLT, KOTTERDAN, CC: ALEXANDRER DESANAN, MG OLI OTESERE, UNITED MATIONS, CC: STEFRANT SCENER, CDP, UNITED MATIONS, NY CC: COR DOWN MEN. NA. BARBAIN

RE: LEGALITY OF CHARGING PORT COSTS AT AL-BAKE, IRAQ

Dear Sir,

In remonse to your for deted lith August, 2000, respecting the so-called "Peric Oper" at Kisa Al-bar, and the way of a measure for cit from burners for the from the fifty between daried tool buggest (but with the address blanked only forward with the series believed to forward with the first but it would be imageoptise for us to common only remetra made by the You Want.

Regarding the issue of the 'Port Peer' we can only relevance that we have been verified before the United Barding that, in the opinion of their ideal department only payment of and feet to any entry in man would in consider we having in conferencial of hiles Mations Beautry Council Restriction comparing the stratefan in Tree.

Graham Bratt

1. MINA AL-BAKR The Oil Sector

Nonetheracting, during the period, a total nett volume of  $\overrightarrow{B9} \not= (9, 10.3)$  to where a flamesh 10.01 to the state of these bases of the state of the state of the period of the state of the peaking terminal is appeared and on the of the peaking terminal is appeared and other of the peaking terminal is compared to the state of the peaking terminal is compared to the state of the peaking terminal is compared to the state of the program.

E BOTAS TERMINAL, CEYHAN, TURKEY

2.1. Transfer of Katsuk Cirude Cel from Iraq to Turkey via the Iraq/Turkey Pipeline have continued uninterrupted throughor period, and have everaged 232,4 00 berrets per day.

2.3. The volume of oil foeded to vessels at Ceynen to 11 August 20 under the supervision of the LIN Montons is 13.1 HS 925 benels.

To: Grehem Brettiff Baybok

Subject: New Handachen

5052584

Peter Bolss 10/06/2000 10:02 ASS To: Graham Bratt@Sayboth Bubject: 90 Day's report

b \ Taken, 13 section ( Gerblem Brett 20/11/2000 10:47 AM achier@un.org

Subject: 180 Day Report

Dear Stephanie.

pleass ase balow input for 130 day seport. I have immorporated the figures from our beginds office which you enservied under copy) and made some allerations to the 50P s (at discussed over the residual).

Please note we have only been table to calculate the arrival details for pariod buse int to ock that sold two specifically require from June Bit laft will require a to to reporterming in suppled but one done - please detries. The scenariog is experiently as the occupie as a sessional before the 100 days, is similarly.

# OLL PRODUCTION & INCH OF PERSONAL AND PRINCEMEN PROPUCTS.

## 1) Mins sl-Bake

1.1. During the period of zeview crude oil loadings have continued from the Wins. 1.5 Air oil plactors, structured in the Mersian duit, under the supervision of the Saybolt emittoring team which consists of six mentions.

1.2. During the raview period the total net volume of Crode Oil delivered to wassals was 185.5.77 Paretrain, as assertinined by reference to the vessels colliberation charts. This equates to an everage of 1.785.111 harrain gas day.

1.3. There has been little, if any, improvement in the living conditions to minimize an thin children with the conditions to minimize and thin children's with the conditions to minimize the children's will be consistent and the first of the complexity of the condition of the complexity of the children's measure the conditions of their is an edepetar analysis of children's children's to and from history in the children's the condition of the page and the children's th

## 2. MS-1 Matering Station. Zahko

2.1. During the period under review the transfer of Cruds Coll from trac via the righthriesy Sipalise to the Boster Trainish. Cophus. Tracks has continued under the repartition of the Asylotic motioning team which consists of three seminars.

1.1. During the period the volume of Crude Oll monitored through the metering banks as the MS-1 Metering Station, Eabho, was 120,537,358 berrels.

3. Botas Iscains! Cavhan, Turkey

3.1. During the pariod under review the receipt of Crude Oil from Inserview in Inserview of Transfer Visit and Oil From Inserview of Transfer Visit of Paris and Oil From Inserview of Paris, which consists of Live weekers.

1.1. During the pariod the volume of Crude Oil emmittored into the securing atornes claims at the local framinal, securities by reference to cornes best californic charte, was 11,1315 of berrefs, equaling to an awarege of eat,740 berrefs per they

1.3. The total net volume of trude Old delivered to wasmals was 120,558,340 barrels, as stortiained by reference to the wessels calibration charts. This equates to an everage of \$17,286 barrels per day.

## 4. Overall Code Oil Exports

4.1. The total net volume of Crode Oll exported from Mins si-Saker and Caylon during to period, as marintoned by Eapholt, was 308,638,317 barrels or as average of 2,122,337 barrels or as average of

..2. Of the to:al volume exported, 39.45% of the volume was via Cayhan and 40.55% of the volume -ms via Mina al-Bakt.

# MUNICIPAL OF THE SPARM PARTS A MULTINGET

5. Data regarding arrivel of oil abara parts a aquinamet-

inclosed in the contracts delivered and ecomposition in the contracts delivered but used tools as 1.3 of contracts attributed but used tools and tools attributed but used tools and the contracts attributed but used tools are contracts attributed to the contract at 5.1. Analysis:

\*\* These values calculated as per formula applied in previous 30 and 180 Y\*\*

\*\* This is a neg-tive value thrown up by the system as the value in this period - for this sector - is less than value for previous period.

Please Mode: From 1 to 14th Movember 2000, an amount of UN \$ 10.2 M of contracts were opened, the bulk accounted for by UN \$ 11.15 M at Come No 210672, UN \$ 6.723 M for Chem No 510472, UN \$ 6.723 M for Chem No 51047.

# 6. Preguency of Protenting Visite.

5.1. During the period the Seybolt monitoring tesm cerried our 586 site visits throughout Xraq.

7. Number of monitors and planned increase.

7.1. The Saybolt oil spare parts & equipment monitoring team is based in Beghdad,

\$052680

Kindest regards, Graban Bratt

8.1. A number of Special Operating Proceedings (800's) have been designated by the Office of the Traf Program regarding operations mentioning of certain contracts. Reasyles of these duting the prized cover;

7.2 Year members routinely visit the South and the Morth date a vest, covering all the victor detachment as each text. Outs do to the Ascretaing of Volume of oil gere for a very control deliveries, each trip now takes at least three days to complete. Members in the victorie of Supering which which can be visited in one working day, are covered by the members from the Suphako critics.

Saghdad Area;

and consists of six task members.

a) the evaltoring and confirmation of studies carried out at the Deure Refinery to enable the contracting of specialised repairs and meintenance;

Hadithe, b) the on-going semitoring of construction of storage tanks at EJ, of the scattoring of on-going construction of two oracle oil de-gassing and de-mastring plants at South hassilah.

2. Her silv times for and use their solitoring desired by the group of experts. Salebileher nutsuant to personably 10 of resolution 146 (1994).

3.1. The group of experts has now published a comprehensive listing of 245 coast to the require and unsideners, and the daybolt emulcoring same have coastly or transmost special visits to carry out these requirements, which are reported seventshy from that moreal semicoring activities.

9.3. The listing of special and use/user wonitoring requirements is updated on a southly basis by the group of superts.

Hope the move went well, and you are now all safely installed. Please call if anything alse required; the weakly report has been assunded and resent regarding Cylan.

adulpment a) The increasing number of oil spare parts & equipment contracts special monitoring, and/or end use/usar monitoring, and b) The overall increase in the volume of oil spare parts a resulting from the doubling of the allocation from URS

requiring

7.3 An increase in the numbers of spars parts a equipment monitors deployed in iraq is considered necessary, as a result of:-

North Gas Industries premises North Oil Company premises North Rafinery, Heiji premises

Northern Area:

General Company for Ports in Iraq premises South Old Company premises South Old Company premises South Old Ges Plant premaies

Southern Area

Men Gartin presistes
Dans satis for presistes
das Fallace for presistes
oil Regionetico Company instale
Subplian organizary presistes
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First Company for oil Projects presistes
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7. The intention is to only increase the number of wonitors in line with increase and the required biocreased arts of trained of only special set sequence. And the required throughout of spece parts a companion of the people. The increased difference of the people. The increased difference of the people of th

8. Spacial souicoring procedurat/improvements in the Smaitoring of ail spare parts. A smainseat inside Irag.

Print Babs

To: Graham Bratt cr:

Subject: 90 DAY REPORT

This is an old version of our input for the 50 day's report

125 September 1 Se

Subject: 90 DAY REPORT

Dear Stephani,

Please find herswith our reply to your talasax concerning the 90 day apper. I hope it's sufficient, if nor please call me.

1. OIL SECTOR

1.1. Mina al-Bakrı-

Since the publication of the UNIKOH report on Mine al-Bakr thuse has been absolutely no sotion taken.

In fact, conditions have significantly deteriorated in that :-

a) The reverse concess unit was, as of v's Just 11h, operated on completely several restricted basis if his 4 days had as of v's Just 11h, operated on completely caused to spacets, he as as now dependent of Just 1, or July July in a ser papies may be asserted to spacets, he are now dependent of the paper of the pape

b) The quality of food, food preparation and evaluability of fresh produce has further deteriorated,

c) Thare is done hardly any maintenance on the terminal which has resulted in an unhygianic environment with unsafe working conditions.

25

Marker (1942)

Marker (1943)

Marker (1943)

Marker (1944)

THITED MACIONS, NEW YORK HOL JOHNSHIP STEEPINGTONS

UNITED MATIONS, NEW YOLK THE OVERABERS HOR PETTER BOKS

SAYBOLF PASTERS SENISPERS BV MAY 18T 1987

1445 RMS LOCAL TIME TIMED AT:

TV "SISTRIA PRESTICE" A/C TRAFICERA B/L DD 26/03/37 KINKIX CRUDR EX CEPHAN

Your Fax to Mr Deter Boke dd 22 Agril 1997 refers. As Mr Boke is currently in Caylan with the United Mations I am replying to same. Dear Mr Jing,

Departing the loading of the above vessel at Captum which because the terms of the

1) The agreed format between 8000 and the UM for the entolition of loads quantities at Coping, 10 the basened of a cartifited secting Types and accurate short make tablection charter, is to seasure overall rate of completion of loading and adjust for ONO quantity and VEP.

The vessel "History breating" presented at Copium effects an estuadid period in day doct Auting within historilizes were made to the deck tillage points to allow use of Mechype messaring apparent. The vessel and limited obserts, as presented, were not odjusted for this errocural attention.

3) VEF factor nalculations require reference to the last ten [10] full cargo moresments; these were not available.

4) în vise of 2) and 3) above, thore Tenk messurements were taken for reference and as a chack.

On completion of loading there was an apparent difference between the wassals figures (by reference to calibration charts) and shore figure, as follows:-

\$052703

United Nations (Nations Unies

BC, BK, F AF, JR, E

18 April 19

of the DD/seybolt team contacted both the Un Overseer and added presentatives of COMARD to All the Cold team of DD UN softsed but the loaded figure should despend when the DD settles (COLD-should prome) procedured to DD settles (DD settles) that on setablishment of the voltate of the yearst they would take on Adjustment with Testiguie albert by volume on a fature littus, or Edmandally.

Vecsel 986,182 barrels shore 985,106 barrels which equates to 28,076 barrels or 2.858.

e) Catoni Perse, acting on behalf of fragigura, issued a Latter of Reserve to SONO, Cayban, regarding the unreasonable discrepancy between thip and abants.

?) The Bill of Lading was prepared and Lasued by 9000 at Cayban.

1. On Tuesday 13 April 1997, Mr. Maurice Losens, Oli Overseer, advised ne that the bill of Markey of oli purpose of the Tuesday Life of the new research the questry semally loaded to the vessel, Historia Preside. The supposer was loaded on 26 March 1997 in Coylan, Turkey. The retained report, number 29024971 shand 26 March 1997 from 8aybox refers.

The UN OS Overseen were advised by Truligum, Led. tant the Filteria Prestige had therefore been for door and adjustment were nade to the reference highly and therefore causing the skirly tulkes are inscorrant. My tulesteamful from the Overseen is that the Children, Led. skirls not have been excellenged by specimizably 32,000 ferred or about \$1,000,000. Traligum, Led. skirls approvided the Overseen with the attacked report which appear to been the number 3,000,007 dated 26 Metch 1997 from Saybolt.

I should appreciate it if the Oversean would notify Treasury at the author possible memorary if there should over the a disparant regarding whether of cargoes shipped, in light of the expedited procedures. Such notification would reduce the risk that famils might be altered or distributed witch should be reserved for the sentement of claim?

On the matter of the mean recent pipaline sahotage we are advised that the require will be completed though on remappitum of deliveries via the 40° lines we will advise. There has been no apparent splitage or oul loss as a remit of the incident.

should you require any further information on the "Mistria Prestigs" places do not bestrate to contact wa.

the apparent constituement of the wassia figures, used to be said-let the silt of Lading at lookport, ensures to the 38.0% barrels distorted motes between ably and shore on completion of todding. The barrel stigue oppose (58.106 barrels) would todding. The barrel stigue oppose (58.106 barrels) would constitue the most equitable estimate, given phowe curcumstances, of shipped volume.

- shore Ceyhan and shore Constants of 1.0% - ships loading figures and shore Generansa of 3.82% - ships loading figures and shore Ceyhan of 3.88% diven that thats is an established difference between:-

S054457

... Susann Bistopric Transfermine Transfermine

oner. Anticineted claim from Trafferen, Lid.

". The bill of halling, commercial involve from S.O.M.O., 20 deop start and the calculation consoners require the state of certain has identify their presence of Damps and the State of Presence of The back had solved Themany that he documents condomed with the term and their consoners from the condomed with the term of certain function to the presence the seasoned of StACFT,2021. It enough to make into the United Nations Tree questions to 23 April 1997.

vesel's figues on arrival at Constants ware reported as 990,153 bereis egible 996,182 berreis efter loading at Ceyban.

This gives an outcurn shortage against vessels figures at loadport of 37,644 berrals (5.818) and outturn shortage against vessels arrival figures of (1,615 berrals (4.218).

Ships sailing Eigures at Ceyban (886,182 barrals) only differ from ships arrival figures at Constants (890,153 barrals) by 3,871 barrals (0.408).

Comparison between the shore figure at Coyhan (958,106 barrals) and discharged quantity at Commanums (968,538 barrels) gives a difference of 9,548 barrels (1.08)

There is no doubt that the vessels figures are covarited as a manual of a late (VFF feetor and armsess and lambing that this is supported by the semicual vectors have an expension of the comparison of the contract of the contract of the contract of the existing a fail of any feet of the contract of th

Under the circumstance, it would be advasable to reserve \$1,000,000 of the amount arricinated to be deposabled into the United Nations Ing Account until the potential claim is reached.

**S054466** 

5054467

Oraham Brett A Control Control National Series of AVERLINA
Record Control National 2119
Record National 2119
Record National 2119
Record National Series of Control
CO Control National Series of Control
Record Na 1) The appead format between sons and the Under the advantation of leading dynamics in a copydat, in the abbedies of an entitled measuring dynamics and accurate above and abbedies to a confilient measuring dynamics and accurate above and principle of polarized outside the accordance as otherwise that of mostly presents of Copydates and other for Only 10 through the present of the Copydates and other accordance and accordance accordance and accordance accordance and accordance accorda TV "HISTRIA PRESTICE" A/C TEATIOUS KIRKIK CRUDS AX CETSANS UNITED MATIONS, NEW YORK NR. JOSEPH STEPHANZIDES CMITED MATICAS, MEN YORK THE OVERSERS. SAYBOLT BASTESH HEN THAFIGURA, LONDON STUART WRITELOCK APRIL 24TH 1957 SONO, BAGREAD HR FARJO HR PETER BOKS FROM: DATE: TIMED AT: 

There is no doubt that the wassals ifgures are ownerisated as a result of a lack of My Second and errossom on infantum that is anyported by the second outcant in Charlesian Which Practices where a per that! Imagescent improve, Fours oil section 4.1..., was \$48.518 barrais.

veses)'s figues on arrival at Constanza were reported as 990,155 barrels equinat 886,182 barrels after loading et Ceyhan. This gives an outlum abortage against vessels figures at londport of 37,644 barrals (3.828) and outlum shortage against vessels arrivel figures of 41,615 barrals (4.218).

Comparison between the shore figure at Coykan (958,106 barrels) and discharged quantity at Comstans [958,538 barrels) gives a difference of 9,568 barrels (1.04) Ships sailing Eigures at Caykan (886,182 barrels) only differ from ships arrival Eigures at Constants (990,183 barrels) by 3,932 barrols (0.40%).

Given that there is an autabilished difference between:

- above copplan delete Companies of 1.05

- able leading figures and anne Commans

- that leading figures and anne Companies

- that leading figures and anne Copplan of 2.05

- that paperson compensation of the wassess figures of 2.05

- the companies of 
Canaral provintons Section I

21,226,23,15

4 !

The purpose of this Memorandum of Understanding is to ensure the effective implementation of Security Countil Tesclution 986 (1995) (hereinafter the Resolution).

2. The Distribution Plan referred to in paragraph 6 (4) (41) of the acolution, which has to be approved by the Secretary-General of the united Nations, constitutes an Amportant aleaent in the implementation of the Resolution. 3. Nothing in the present Memorandua should be construed as infringing upon the sovereignty or territorial integrity of Iraq.

Section II

Distribution Plan

The Government of Iraq undertakes to affectively guarantee equitable distribution to the Iraqi population thoughout the country of medicine, health supplies, foodsutifs, and sacuries and upplies for sessial olvilian needs (hersinatter humanitatian supplies) purchased with the proceeds of this sale o Iraqi patrolaum and petrolaum products.

THE GOVERNMENT OF IRAQ ON THE IMPLEMENTATION OF SECURITY COUNCIL RESOLUTION 986 (1995)

MEMORANDUM OF UNDERSTANDING BETWEEN THE SECRETARIAT OF THE UNITED NATIONS

S059297

\$059298

The part of the Distribution Plan related to the three contrast operancetes of the Shill though and Salakaniysh shall be prepared in accordance with Annat I, which constitutes an integral part of this Nesorandum.

8. The Otstribution Film shall be submitted to the secondary content of the Third Marchine for paperwall, the third for paper of content is satisfied that the upplies for the fresh popplation distribution of humanization for the fresh popplation distribution to country, he will so inform the Congruent of fresh

10. Once the Secretary-Genaral approves the plan, he will spoule, started a copy of the Serveriaed like of the implicate and spoule, which constitutes a part of the plan, for the Security Connoil, which constitutes a part of the plan, for the Security Connoil addition scientistical by Resolution 651 (1950) concerning the attestion between Irsq and Kweait (hereinsfer the 651 Connitron for information. If is understood by the Parties to this Memorandua that the Paccetery-General Will not be in a packflow to report as required preserved in or the Resolution unlegs the plan propers of by the Government of Ireq meets with his approvel.

### Saction III

# Katablishment of the esercy excount and audit of that account

deductions mandated by the Security Council under paragraph 8 of the Resolution shall be made from the "Iraq Account", which will, be administered in accordance with the relevant Financial Regulations and Ruise of the United Mations.

2125633115

113. The Trady sutherfiles "sight designate a sentor banking occious to like it of the first with the securities of the first accordance with the first accordance with the first designation. It is accordance with the first designation set accordance with the first designation, the suddled by the benth of Auditors who are actually independent public additions, he provided for in the Regulations, the Board of Auditors will issue prefed for in the Segulations, the Board of Auditors will issue prefed for in the Segulations, while the financial schements saiding to the account Segulations in the Auditor of the financial schements saiding to the account of Segulations in the Auditor of the first schements with the Auditor of the first scheme financial segulations of Titol.

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is. Nothing in this Memorandia shall be interpreted to create a liability on the part of the builded whating for any purchase and the bosowatering on its bahalf pursuant to the protisions of the Resolution.

is. Petrolaum and patrolaum products ori-insting in Iraq vill be approted vit the Michard-vanishing Pipeline through Purkey and from the Minm al-abr oil terminal. The 56 Committee with envise ornsite the minm al-abr oil terminal. The formation will be considered by an additional sound of Samuer that they are consistent with bet Resolution. Transportation codes in they are leaded by an additional sound of Samuer oil programment of Samuer that have a seal that a Resolution and in accordance with programment between Iraq and Turkey concerning the tarific and payment modulities for the and Turkey concerning the tarific and payment modulities for the consistent and the seal provided to the 661 consistent.

Each export of perroleus and perroleus products originating in Iraq shall be approved by the 6th Committee.

pplication for the set consistes will take action on the peplication for the apprict door to itself descendant of the set consistency of a consistency because and the force to itself descendant of the set of t 

35. The arrival of goods in Ireg purchased under the plan will be confirmed by Independent impedition agents to be appointed by the Societary-Censers. No payments can be sade until the independent Impedition agents provide the Secretary-Censer. Noth independent Impedition agents provide the Secretary-Censer. With arrival but the arrival in Ireg.

24. The independant inspection agents may be stationed at the which the independant between the states or other locations where the functions set out in paragraph 77 of this section on where the functions set out in paragraph 77 of this section on the apartored. The number and location of the attrioning points for the agents will be designated by the United pictions after consultations with the Government of Item.

consultations with the Government of Ereq.

7. The integration spring will continue dailyoury to proceed the confirm dailyoury to tree of shipments. They will compare the appropriate of dailyments. They will commentation, such as his of safety send to the the construction and the confirmation of the send of control and the confirmation of the control and the confirmation of the control and the confirmation of the confirmat

Section V

Procurement and confirmation procedures

11 Detailed provisions concerning the sale of Irad; petroleum and petroleum provisions constituted in Annax II, which constitutes an integral part of this Hemorandum

19. The purchase of medicine, health supplies, foodstuffs, and seasilis and supplies to consected to the foodstuffs need of the fract population through 1931, and the foodstuffs need of the fract resolution through 1931, and subject to pragraph 20 occurs to the foodstuffs to the foodstuffs to the foodstuffs to the foodstuffs to pragraph 20 below, no constitutions of the south the basis of the relevant resolutions of the security council and procedures of the 661 consistes.

20. The purchase of bushisterian supplies for the three northern covernorates of Arbii, blook and Suleisaniyah, as provided for in the Distribution Flan, vill be extrist out in accordance with Annex 1.

11. The Government of Ind will, except as provided for in paregaph 30, converted directly with supplies to express the paregaph 30, converted directly with supplies to express the paredase of supplies, and writive outside the appropriate countries.

12. Each seport of goods to Ireq while he at the request of the Government of Ireq pursuant to paregaph 8 is of the Assolution. Concentration, the supplies and the standard goods the standard concentration, the subjudity concerns for all will wish any goods of the accordance of the Standard goods will winder that Resolution Countries for all younger of the applies for the supplies of the supplies for the supplies of the suppl

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3). The dearthwithout of behandrickin supplies northern Governoctes of achil, blicks and side undertaken by the ultitled Methods inter-dearny programs on behalf of the Government of Treq Programs on behalf of the Covernment of Treq is a Covernmen

# Observation of the soultable distribution of humanitarian supplies and determination of their adequacy

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18. The inspection agence will report all irregularities to the assertance of the confidence of the problem is memorize by confidence of the problem is memorized to consider the confidence of the confidence of the consideration of the confidence of the consideration of the confidence of the consideration of the confidence of the confi

confirmation, including quantity impection by weight or count, quality impaction including visual inspection, empling, and, when necessary, laboratory testing.

29. As regards the export to itsey of parts and equipment which to a searched for the ask to operation of the Airthur-Vanueralik to the appliane system-in Itsey, the requeste will be submitted to the appliane system-in Itsey, the requeste will be considered to the supplier. Such requeste will be considered to accordance with its procedures.

14. The United Mitigue observation process will be conducted by United Witigues as Essential in Targe under the overall authority of the Department of Musmatterian Affairs at United Nations Readquarters in Ard York in Accordance, vib the professions and accordance vib the probations and accordance with the processing a secondary and the property of the processing and the processing accordance with processing accordance with

30. If the sell consistes has approved a request in accordance with parengraph 2, the provided on the prograph 2 and large and

The requirement of authenticated confirmation of arrival
provided for in this section shall apply also to the parts and
equipment mentioned in parigraph 29.

Distribution of humanitarian supplies purchased unatribution Plan

Section VI

13. The distribution of humanitarian supplies undertaken by the Governant of first in scortal nistribution in the distribution Plan referred to in Section 11 of Hencradon The Governant of Treat vill leap th Hencradon The Governant of Treat vill leap the Observation paraconal informed about the implies plan and the activities that the Government is

(a) to confirm whether the equitable distribution of humanitarian supplies to the freqi population throughout the country has been ensured;

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16. In observing the equitable distribution and its adequary, united Wattons personnel Will use, hits. alls, the following procedures.

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Saction VII

GENERAL PROVISIONS

13. The objectives of the United Mations observation process shall be:

to ensure the effectiveness of the operation and determine the adequate of the eveliable resources to meet Kraq's humaniterian meeds.

OBSERVATION PROCEDURES

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nest humanitarian neads, observation vill focus on confirmation the week marchists and upplies are additivated to the predefined descinations in accordance with the distribution plan and other descinations in accordance with the distribution plan and that distribution for their lives of their lives and their distribution of various than actually as applies as population of various forms that a set which and supplies as population.

COORDINATION AND COOPERATION

42. The Thirtad Nations observation activities will be conclined by the opportunit of humanization Affairs in thiridal Nations because of the humanization Affairs thinked by the bookerstand of the paregones will nike the particular section by the bolder setting these account the preferral sequiments. The Government of the dwill be consulted in this reject. The sequiments in the Affairs the setting the account the profession of the account the assistance sequimed to facilitate the particular of their function. Which shows presonne the assistance sequimed to sections with the profession of their compensation with the professions of this facilitate with the provisions of this facilitate with the preference of the functions which this provisions of this facilitate with the preference of the function of the section of the Massimular with section of the Assistance and the Assistance of the Assistance and the Assistance of 
Section VIII

Privileges and Laminities

45. In order to facilitate the successful implementation of the Resolution the following provisions concerning privileges and imposities shall apply:

13. Observation respecting distribution of andical supplies and augusant vil. Tocose or the arising distribution and storage system and vil. Involve visits to loopitals, clinics as well as specim and vil. Involve visits to loopitals, clinics as well as equipment and respective founds and equipment are mored. Such tooliness will also be accepted by the control of t

Hadical supplies and aquipment

Hater/senitation supplies and squipment

40. Observation of distribution of unter/sanication supplies and equipment will focus on the determination that they are used for that they have been confirmed in this they are used for that they can the propess confirmed will be carried out by the include of well-yours distance of well-yours distance and by featilities by expressively visites to wester and sanitation featilities by consearchatives of salaware united mations and assembly they are the confirmed within the regard the united Nations will rely on all salays the confirmed with the regard the united Nations will rely on all salays.

41. With reference to meterals and supplies which do not fall vichin the three states indicated above. In particular, those and added for the rehabilisation of infrastructures essential to

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Will be head on information of the switching of food distribution will be head on information obtained from local markets introduced the bread on information obtained from local markets whilehe to the United Nations and its specialised by onked Nations welliable to the United Nations and its specialised by onked Nations welliable to the United Nations and its specialised by Onked Nations by parties of e food tissue impress on United Nations and Parties of the observation will also include the specialised regular undated observation of the soot pressing cooperation with the appropriate Institute a native womentable observation of what effects of the publishing of the information will seat as the publishing of specialism of the like information will what ercount of the like information will was encount of the like information will was encounted that the approach to the like the or the continuous operation will seat the count of the like information will was encounted that the valvant winger of Nations of Natio

The state of the s	1 77 1	Section 1X Consisteding 69. The Secretarist of the United Skitons and the Government of Ever shall, if necessary, bod Consustations on but on exhibes the most effective implantation of the present Searchings.	SACTION.  Zinal clauses  50. The present Memorandus shall enter into force following signature, on the day Winh paragraphs 1 and 2 of the Recolation become operations and shall remain in force until the expiration of the 150 day paried referred to in paragraph 1 of the	St. Pending its entry into (cite, the Mesorence shall be given by the United Mations and the Covernment of Ireq provisional effect. Stratto take the Covernment of Ireq provisional in the covernment of Ireq provisional in Coglish.	For the United Mations For the Government of Iraq	Hans Corell Abbashart Abdul Amir Al-Ambart Undar-Gecretery-General Ambassador Flantpotentiasy from Legal Counsel Head of the Dalegation of Ineq	
		(a) officials of the United Nations and of any of the Charlest Agencies which the Spirit and Agencies were performed and adjoint of the Agency of the Privileges and immunities applicable to them under Arrichse First Wiley of the Universities of the University of the Spirit of University	(b) independent impaction space, technical approximate and other spaces are specially to support and the specialists of special of principal of the specialist of special of principal of special of the specialist of special of the specialist of specialist	(c) present parkersing contractual arevies & for the United Matter in the Contractual in Contrac	7. It is further understood that the United Nations and its Specialized Associate that have been as a specialized Associate that any of readons 6 supplies, equipment and season 6 supplies, equipment and season 6 supplies, equipment and season 6 supplies, equipment and have been example required for the implementation of the Recolution and that the Conversant of Iraq egrees to allow them for emporately, import such equipment free. of questoms or differ any of the components of	48. Any issue relating to privileges and Thamnities, including safety and protection of the United Nations and its personnel, not convented by the provisions of this Section shall be governed by paragraph is of the Amsolution.	

6. The Programs shall he reuponsible in the three northern of corporates for the scores, handling, internal reinsportation, distribution and confirmation of equitable distribution of manufaction by Programs will keep the Coverposent of Its distribution of distribution of the Coverposent of the Cov

appropriate, to warehouses in Kirkuk and Mosul. The warehous shall be amonged by the Programs The Governor Fee of sense the prompt customs and administrative classrance Fee is each and quick transit of such supplies to the three not Governorates.

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1. The United Rations Inter-Agancy Augmanitation Programme shell, collect and sanitys aperilant information on humanitation mades in the three northern Governorstat. On the hast or that in three northern Governorstat. On the hast or that in the three northern Governorstat. On the hast or that control the Government of free and subsequent interportion plant in properties and subsequent interported that Government of free and subsequent interported that Government of free and subsequent interported that Governorstate in the Programme of It was also consideration all relevant Governorstas and in the rest of the nountry's in other to make a get table the another than seas following he supported to the Distribution Plant by the secretary-General, the Programs of the Manthacton Day the secretary-General, the Programs of the Distribution Plant by the secretary-General, the Programs of the Manthacton Day the programs of humanitations and the Government of the programs of humanitations and the programs of the program  of the program of the programs of

Annex II. The Stales Conventions of the Properties as decides, the national percolaus purchases authorized by the 641 Committee, shall sublice for the Committee of the hall stale for the Committee of the hall stale of the 641 Committee, spilestion, including the relavant contractual documents of the proposal approved the spilestion, including the relavant contractual documents of the proposal are and proposal are the proposal are the proposal are the proposal are and proposal are the proposal are and proposal are and proposal are and the covered of the set construct. On the set construct, the political might is followed at his contract to the set construct. On the proposal are presented that the proposal are proposal are together with the suplication for forwarding to the 641 Committee together with the suplication for forwarding to the independent contractual documents. Any of these adorements shall appear together with the suplication for forwarding to the independent contractual documents. Any of these adorements are together with the spilestion for forwarding to the independent contractual documents and preceding appearer terms and pricing and contact of the formation for forwarding to the independent contractual documents and preceding appearer terms and pricing and proposal are proposal are and proposal proposal and proposal are and quality, and pricing and discuss the business and pricing adolesses and pricing adolesses and quality, and pricing and adversary desired to adjustments for transportation and quality, and pricing ages.

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All charges within Iraq are for the baneficiary's a whereas all charges outside Iraq are to be borne by purchaser."

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6. The United Nations secretarists and 8000 shall manitain continuing accounts, and in particular United Nations oil appare shall include the continuing with 5000 representatives to review market containing and oil sales. t. The sale of petrolaum and petrolaum products originating in appearance will be appeared with a high pearance oil superts appointed by the Secretary-central of the United National Separation of Separa 1. All such latters of credit will have to be directed by the contenser's bath to the bark holding the "tred chount" with the request that the latter adds its confination and forward it to the canteal Bank of Ereq for the purpose of advising 8000.

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Security Council

S/2001/505

# Report of the Secretary-General pursuant to paragraph 5 of resolution 1330 (2000)

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## II. Revenue generation

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C. United Nations observation mechanism

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V. Programme implementation

A. Sectoral focus

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# VI. Conclusions and recommendations

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# Allocation of total oli revenue among the various funds and corresponding expenditures, as at 30 April 2001

Annex I

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Per nonent Mission of Iraq to the United Nations

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(Signed) Smeed M. N. Permanunt Represent

Accept. Sir, etc.

His Expellency Mr. Kall A. Vinan Secretary General of the United Nations

S059527

Mr. Shays. Mr. Pruniaux.

Mr. Pruniaux. Mr. Chairman and distinguished members of the subcommittee, my name is Andre Pruniaux. Since 1998, I have been employed as Senior Vice President of Cotecna Inspection in Geneva, Switzerland, which has some 4,000 personnel in over 100 offices around the world. I appreciate the opportunity to appear before the subcommittee today to clearly establish for the public record the difficult task of Cotecna as a contractor of the U.N. Oilfor-Food Program.

Mr. Chairman, my primary duties at Cotecna consisted of managing operations in Africa and the Middle East as summarized in my curriculum vitae included in my prepared statement. We hope to clarify Cotecna's responsibilities and authority under the Oil-for-Food Program in the United States and the CPA contracts. The documents we provided to the subcommittee clearly demonstrate our performance under the contracts has been fully consistent with

our obligations.

Since the inception of its contract in Iraq, Cotecna has authenticated the arrival of goods in Iraq worth a total of \$29.2 billion, of which no single authentication has been proven to be erroneous. To fairly judge our performance, you must first understand what services Cotecna was and was not contracted to perform under the OFF program. Cotecna was not hired to perform inspection services in the traditional sense which would normally entail a broad range of tasks, in support of full customs inspection services, including, for instance, price analysis, quantity, quality inspection, and port-of-or-

igin and/or port-of-destination.

The 1992 request for proposal on which Cotecna was the successful bidder issued by the U.N. did incorporate broader, more traditional customs inspection mandates. That contract was never awarded, however, because the Iraqi Government would not give its consent. A subsequent contract was awarded in 1996 to Lloyds Register and included the narrower scope of responsibility and authority for authentication of goods under the 986 OFF program. The parameter of this contract were originally established by the Security Council working with the U.N. OIP and Lloyd's. In 1998 Cotecna presented the strongest technical proposal at the lowest price, and on that basis was awarded the contract succeeding Lloyds.

Importantly, the term "authentication" in this context is unique to the U.N. OIP contract. In the world of customs inspection services, the term "authentication" does not appear. This reflects the limited role under the contract of authenticating the arrival of approved and permitted shipments in Iraq so suppliers could be paid.

Under the narrow scope of the contract, Cotecna played a limited technical role in verifying that the goods entering Iraq matched the list of goods authorized for importation, and in the case of foodstuffs, assessing their fitness for human consumption. Our prepared testimony includes these details.

Conversely, Cotecna was not involved in selecting the goods to be imported, establishing the specifications of such products, selecting the suppliers, negotiating the prices to be paid, nor designating any

sales commissions.

Further, Cotecna was not involved in handling any funds for the payment for any goods, but only with verifying that items that had

been approved for import were delivered in Iraq.

Mr. Chairman, it is important for this committee to understand that two types of goods were coming into Iraq under U.N. authority and approval. The first set of goods entered the country under the Oil-for-Food Program pursuant to Security Council Resolution 986. In addition, a separate volume of goods, valued by some to be worth double that of 986 goods, were imported under Security Council Resolution 661. These 661 goods were the subject of private contracting, were not financed by the OFF program and, therefore, Cotecna had no responsibility or authority to authenticate or inspect them.

Under the contract, Cotecna authenticated the shipments entering Iraq under the 986 program, and was required to perform physical examination on up to 10 percent of them, with the exception of quality control testing of food basket items, as I have already mentioned. We consistently fulfilled each of these mandates.

The company was operating in a difficult and challenging physical and political environment as detailed in part 4 of my prepared written statement. Relations with the U.N. officials, the Humanitarian Coordinator for Iraq, the UNOHCI-Baghdad, were sometimes difficult, because Cotecna was required to report directly to OIP only, while UNOHCI-Baghdad was assisting Cotecna activities and inspections for logistics, visas, transportation authorizations, and complaints from the Iraqi authorities related to Cotecna inspectors. Also the relationship with U.N. humanitarian agencies was delicate and a source of tension because these humanitarian agencies adopted a more sympathetic attitude toward Iraqi and Kurdish entities. UNOHCI, for example, presided over monthly coordination meetings in Baghdad between these humanitarian agencies and Cotecna. Congestion in the port of Umm Qasr became a very serious problem, and suppliers began to complain that the government was refusing to remove containers from the port unless suppliers paid a fee to the port authority, and the government continuously sought ways to influence the authentication and payment process for financial gain.

In direct response to concerns raised by Cotecna to U.N. OIP, this process stopped and the congestion situation immediately eased. Iraq frequently exerted pressure on Cotecna to resolve or retract authentication. Cotecna was directed under the contract to refer all such matters to U.N. OIP New York, but this did not alleviate the pressure from the government, particularly in Umm Qasr.

Mr. Chairman, Cotecna has consistently performed its limited technical role in the authentication of goods under the 986 OFF Program under difficult physical and political conditions. In so doing, the company fulfilled its contractual obligations as established by the U.N. Security Council. There were problems, and many. The company reported those problems. We have sought to cooperate with the subcommittee and have provided documentation of those communications to you.

Mr. Chairman, this concludes my statement. I would be pleased to answer any questions members of the subcommittee might have. I would respectfully ask that my full statement be included in the

record along with a letter I sent to you on October 1 regarding an article that appeared in the New York Post.

Mr. Shays. Your letter and all of your statements will be in the record in their entirety. Without objection, that will happen.

[The prepared statement of Mr. Pruniaux follows:]

### Prepared Statement of Andrews Committee on Government Reform Subcommittee on National Security, Emerging Threats and International Relations

#### 5 October 2004

Mr. Chairman, distinguished Members of the Subcommittee, my name is André Pruniaux. Since 1998, I have been employed as Senior Vice President of Cotecna Inspection, S.A. ("Cotecna") in Geneva, Switzerland. I sincerely appreciate having the opportunity to appear before the Subcommittee today to clearly establish for the public record the limited technical role and performance of Cotecna as a contractor under the United Nation's Oil-for-Food program.

Mr. Chairman, my primary duties at Cotecna consisted of managing operations in Africa and the Middle East, as summarized in my curriculum vitae, which has been presented to the Subcommittee as a part of my prepared statement.

My statement today will cover four main topics:

- (1) How Cotecna won the Oil-For-Food ("OFF") contract;
- (2) What role Cotecna did and did not play in the OFF process, and how the OFF contract therefore differed from Cotecna's other similar contracts;
- (3) What challenges Cotecna encountered, and how Cotecna and the United Nations ("UN") addressed them, including legal, ethical and due diligence procedures Cotecna followed; and
- (4) What changes to the OFF programme's structure might have better prevented Iraqi manipulation.

At the outset, I believe it is important for the committee to understand that Cotecna's duties under its contract were limited to verifying that goods entering Iraq matched the list of goods authorized for importation, and in a limited number of cases to assessing the quality of the goods. Cotecna was not involved in selecting the goods to be imported, establishing the specifications of such products, selecting suppliers, negotiating the prices to be paid, or designating any sales intermediaries or sales commissions. In addition, Cotecna was not involved in handling any funds for the payment for any goods, but only with verifying that items, which had been approved for import, had actually been delivered.

My main point will be that Cotecna played a limited, technical role, albeit a difficult, dangerous and important one, and that Cotecna deserves high praise for its performance. I will seek to correct the public record that has been so misinformed and distorted.

#### (1) How Cotecna won the OFF contract:

On 9 October 1998, the UN issued a Request For Proposals ("RFP"), addressed to several companies, including Cotecna, for a six-month contract to provide inspection services supporting the OFF programme.

Cotecna had submitted a similar proposal previously, in 1992, at which time the UN had selected Cotecna. Cotecna and the UN did not negotiate and sign a contract following Cotecna's 1992 selection, however, because Iraq rejected the proposed programme.

Cotecna had submitted yet another proposal in August 1996, in response to a July 1996 UN RFP. At that time, however, the UN selected another company, Lloyd's Register.

On 2 November 1998, Cotecna submitted its proposal in response to the UN's October 1998 RFP. Cotecna based its submission on proposed authentication procedures as set out in the RFP, Cotecna's own Information Technology ("IT") programme and telecommunication equipment, its staff (mostly inspectors coming from its African, Asian and European affiliates and agents), and the public information available on the OFF programme.

In early December 1998, the UN narrowed the list of respondents and invited Cotecna and another company for direct interviews to detail their proposals, respond to UN queries, etc. Cotecna, it was understood, had submitted a strong technical proposal at the lowest price.

The UN chose Cotecna on the abovementioned basis and invited it to enter into preliminary negotiations with the UN during December 1998. The UN then had Cotecna come to New York City for final negotiations (28 to 30 December 1998) and for contract signature (on 31 December 1998). Contract performance started on 01 February 1999.

#### (2) What role Cotecna did and did not play in the OFF process, and how the OFF contract therefore differed from Cotecna's other similar contracts:

Cotecna's UN-OFF contract was limited to the authentication of goods, imported under the OFF programme and entering Iraq. As stated in the UN's October 1998 RFP and Cotecna's December 1998 contract, the UN's Office of the Iraq Programme ("OIP") implemented authentication procedures as required by Security Council resolution 986. Such procedures required documentary control at three land border posts and at the Port of Umm Qasr.

The different contracts that Cotecna signed with the UN clearly define Cotecna's role in the OFF process. I would call your attention particularly to articles 3, 4, 5 and 6 of Contract PD/CON/324/98 dated 31 December 1998 and articles A.3 and B.4 of Contract PD/CO144/01 dated 15 August 2001 (as well as various amendments to these two basic contracts), copies of which I believe have been supplied to the Committee. The contracts foresaw certain

"traditional" inspection techniques, mostly related to food supplies that arrived in bulk at the Port of Umm Qasr and that laboratory analysis would confirm was fit for human consumption ("FFHC"). In other ways, though, Cotecna's role was "untraditional."

I will provide more details about Cotecna's role later, when I address certain strengths and weaknesses in the authentication process. For now, I would note that Cotecna's OFF Contracts were particularly tough for the contractor (Cotecna) and imposed severe obligations, heavy (standard UN) general conditions, and very limited resources and support for Cotecna in case of evacuations, medical and security assistance, etc. Cotecna and its staff of inspectors had significant previous experience and references in working in remote, desert conditions and in controlling land border posts and port facilities, inspecting "sensitive" imports (such as oil products), in such developing countries as Niger and Chad. The OFF programme, however, was Cotecna's first involvement in a sanctions programme even though it had experience in commercial inspections in Saudi Arabia and elsewhere in the region also under difficult conditions.

#### (3) What challenges Cotecna encountered, and how Cotecna and the UN addressed them, including legal, ethical and due diligence procedures Cotecna followed:

The general working and living conditions for Cotecna inspectors were very harsh, and the environment hostile. Inspectors were awarded 15 days leave for every two and a half months of working on the sites. Cotecna and its inspectors encountered major problems in implementing its responsibilities under the contract. Among other challenges, the company:

- Had no insurance coverage for Cotecna's capital investments in Iraq and, accordingly, no ability to recover any money after the war destroyed certain inspection sites and caused equipment to be looted, documents lost, etc.;
- Has had to bear high insurance costs, including recently kidnapping insurance, to cover inspectors;
- Has borne the cost of expensive security measures, requiring that Cotecna obtain and maintain top quality equipment and special facilities for transportation, water, power, cabins, etc.;
- Has had to carry tremendous telecommunications service and equipment expenses for the professional and personal use of our inspectors;
- Has been faced with providing and maintaining inspection equipment under the most extreme and, often, unforeseen conditions;
- Has been challenged with handling the administrative management of inspectors (leaves, salaries, dismissing, hiring, authorizations from OIP, etc.);

- Continues to successfully manage a highly diverse staff—some 30 nationalities—in
  the face of sickness, accidents, discipline problems and cultural tensions, both internal
  and with the Iraqis;
- Had to navigate Cotecna's delicate web of contacts with UN's Office of the Humanitarian Coordinator for Iraq ("UNOHCI"), Iraqi authorities, port officials, Iraq's Ministry of Trade ("MOT"), to process visas, requests for dismissal, etc.;
- Had to maintain a positive working relationship with the UN Iraq-Kuwait Observation Mission ("UNIKOM"), for help during accidents and evacuations, and with Kurdish authorities (as well as with the Jordanian and Turkish officials);
- · Had to deal with direct pressure from Iraqis;
- Had to provide its employees with the tools and training to survive extreme desert conditions, which sometimes poisoned the water and required organized catering;
- Had to deal with heightened dangers such as shootings, sandstorms, dangerous
  driving, and even camels and snakes all of which made evacuations and the rotation
  of inspectors between sites difficult, as 1,000 kilometres separated Amman from
  Baghdad (all transportation in Iraq had to go through Baghdad); and
- Finally, had to deal with an inherited disarray of OFF records, and to respond
  appropriately when carriers presented incomplete or erroneous entry documents.

Faced with these challenges, Cotecna exhibited the highest degree of professionalism and followed all appropriate legal, ethical and due diligence procedures. Cotecna is a leading inspection companies and as such is a member of the International Federation of Inspection Agencies ("IFIA") and adheres to its code of obligations and best practices. Cotecna is also International Organization for Standardization ("ISO") certified. Cotecna properly enforced Standard Operating Procedures for UN contractors and wrote, distributed, implemented, and audited its own Specific Operating Procedures ("SOPs") for each site. Cotecna inspectors were required to rigorously follow Cotecna's detailed and highly specific Field Inspection Manual (FIM). Cotecna issued and regularly updated these confidential administrative procedures.

Generally, I would say that the UN also responded appropriately to the above challenges. When I describe authentication procedures later in my statement, I will discuss Cotecna's coordination with the OIP, which I would characterize as fair. Meanwhile, relations with the UNOHCI were sometimes delicate, because Cotecna was required to report directly to OIP only, while UNOHCI-Baghdad was assisting Cotecna for logistics, visas, transportation authorizations, and complaints from Iraqi authorities related to Cotecna inspectors (discipline, behaviour, etc.). When receiving messages from Iraqi authorities regarding Cotecna's authentication activities, UNOHCI passed them to Cotecna in a way that often reflected a sympathetic attitude toward the Iraqi complaints or requests. Finally, dealing with UN-agencies was always a delicate task and a source of tensions, because these humanitarian agencies adopted a more sympathetic attitude

towards Iraqi and Kurdish entities. In direct response to concerns raised by Cotecna, UNOIP arranged for monthly coordination meetings in Baghdad with the various agencies and Cotecna.

#### (4) What changes to the OFF programme's structure might have better prevented Iraqi manipulation

Under the terms of its UN contract (from 01 February 1999 to 21 November 2003), Cotecna maintained between 54 to 67 inspectors at five entry points located on Iraqi territory at the borders with Turkey, Syria, Jordan and Saudi Arabia (first opened in November 2002) and at the sea port of Umm Qasr in the Persian Gulf. Umm Qasr operated on a 24-hour basis, whereas the land border inspection sites mirrored the opening hours of the individual border crossings. The UN required suppliers to present all goods approved under the OFF programme for authentication by Cotecna at these entry points. To assist in the authentication process, the OIP in New York supplied Cotecna with a live copy of the OFF database. The OFF database tracked each contract via a unique reference number referred to as the Comm. (communication) number. Before the export of goods, suppliers were issued an approval letter by OIP referred to as the O.C. (Official Communication) letter. The O.C. letter specified the point of entry (as stated by the supplier in its application to OIP), the list of goods to be shipped (item by item) and the date of validity of the approval letter, generally one year from the date of issuance.

Importantly, Cotecna had no mandate to inspect trucks or board vessels to ascertain whether the goods on board were approved for export to Iraq pursuant to Security Council Resolution 986 ("986 goods"). In addition to 986 goods, a vast stream of "661 goods" approved by the Security Council 661 Committee for export to Iraq, were the subject of private contracting and were not financed by the OFF programme; therefore Cotecna had no responsibility nor, more important, authority to inspect them.

Upon presentation of goods for authentication at the entry points (the five sites), Cotecna verified that the Comm. number concerned had been approved, that a valid OC letter had been issued by OIP, and that the goods were presented at the appropriate point of entry. Suppliers routinely presented goods at the wrong entry point or with expired approval letters. Cotecna sought guidance directly and only from OIP in all such cases. OIP adopted a facilitative approach to such problems, exhibiting a reluctance to slow the pipeline of humanitarian deliveries to Iraq. OIP therefore typically instructed Cotecna to proceed with the authentication process while OIP arranged with the supplier and relevant permanent mission to the United Nations to change the point of entry or extend the validity of the approval letter in slightly slower time.

Once satisfied that the goods had a valid approval letter, Cotecna verified that the quantity and type of goods listed on the database/O.C. letter matched the bill of lading, invoices, packing lists and any other relevant documentation presented at the sites. All 986 goods presented were authenticated. Cotecna authenticated by replicating shipment inspection reports to OIP and the UN Treasury via the OFF database. Receipt of the shipment authentication report triggered an instruction from Treasury to BNP Paribas to release funds from the Iraq account reserved against the letter of credit.

Cotecna performed physical examination on bulk or containerized imports in connection with approximately 10 per cent of consignments (in number). In addition, Cotecna drew samples of all food stuffs (mostly at the Port of Umm Qasr) and deferred authentication until laboratory analysis confirmed fitness for human consumption. This methodology was agreed with OIP, which in turn briefed the 661 Committee. OIP did not require Cotecna to perform quality control testing other than in connection with food basket items. On occasion, however, carriers presented goods for inspection that had obviously been damaged in transit. Cotecna referred all such cases to OIP. According to my recollection, these cases were amicably resolved after liaison between OIP, the relevant permanent mission to the UN, and the supplier, and the suppliers eventually agreed to withdraw the shipments and to send replacement goods.

Laboratory analysis occurred at Cotecna's laboratories in Amman (since crossing the Turkish, Kuwaiti, Syrian and Saudi Arabian borders was strictly forbidden). This obligation delayed the results of the analysis by an average of 7 to 10 days. The working relationship between Cotecna and OIP was close and continuous, and Cotecna sought guidance in every case where Cotecna observed a deviation from normal practice. Cotecna did not withhold authentication in connection with any consignment unless OIP specifically instructed this, and most cases were eventually resolved. Problems routinely arose when inexperienced suppliers or transporters neglected to present 986 goods for authentication at the sites and when the error came to light only after the carrier had delivered the goods to the receiving Ministry (mostly in Baghdad) and the suppliers sought payment. In such cases suppliers had to return the goods to the entry point for inspection; Cotecna inspectors were dispatched to inspect the goods in situ; OIP liaised with the Ministries in question to receive confirmation of receipt of the goods; or, if through documentary evidence Cotecna was satisfied that a prima facie case existed that the goods had been imported, OIP authorized Cotecna to authenticate without inspection. The latter course of action mostly applied to goods imported on the eve of the war in Iraq that Cotecna could not authenticate at the sites after the evacuation. The 661 Committee approved this measure. Notably, Cotecna had the authority to withhold authentication but not to detain goods.

The Iraqi Ministries complained continuously that the authentication process favored the supplier, often claiming that they had received substandard goods or delivery shortfalls. Iraq frequently exerted firm pressure on Cotecna to withhold or retract authentication. OIP directed Cotecna to refer all such matters to the UN, but this did not alleviate the pressure from the Government of Iraq ("GOI") upon Cotecna, particularly in Umm Qasr. It was the policy of the UN that such matters were in fact commercial disputes between buyer and seller, which the relevant parties should address through normal dispute resolution procedures.

For example, in May 1999, the Iraqi Minister of Trade, accompanied by more than 20 heavily armed guards, approached Cotecna inspectors outside of the camp. He informed them that Iraq would no longer allow discharge of any vessel before completion of analysis in Baghdad. This was an aggressive show of force that left many inspectors in Umm Qasr badly shaken. This aggression and intimidation continued and reached a peak in 2001. These actions coincided with a significant increase in traffic leaving the port, which we reported to OIP.

The Government also lobbied strongly with Cotecna and OIP to introduce a deferred authentication period to facilitate quality control testing by the Ministries. Cotecna and OIP

vigorously resisted such a measure, because it might have permitted the Ministries to influence the payment process by requesting payment of illicit fees by suppliers to ensure that quality disputes were resolved and that payment might go forth. OIP and Cotecna repeatedly and firmly requested the Iraqi Ministries to appoint commercial inspection companies in their contracts with suppliers. The UN specifically asked Cotecna not to act as a commercial inspection company for the OFF imports into Iraq. Cotecna strictly honored this obligation.

The Government continuously sought ways to influence the payment process. For instance, for a period in 2001 OIP instructed Cotecna not to authenticate goods until a carrier had physically removed them from the port of Umm Qasr. Within a short period of time congestion in the port of Umm Qasr became a serious problem, and suppliers began to complain, off the record, that the Government was refusing to remove containers from the port unless the suppliers paid a fee to the port authority. In other words, the Iraqi authorities began to influence the authentication/payment process for financial gain. After discussions with OIP, this process stopped, and the congestion situation immediately eased. Despite the pressure that certain Iraqi officials brought to bear, Cotecna managed to maintain a fair working relationship with Iraqi officials at the entry points and within the Ministries. In fact, inspectors did not feel under particular threat before the war in Iraq.

Cotecna occasionally experienced delays in receiving guidance from OIP or received advice what did not precisely correlate with earlier stances taken by OIP, but, in general, an occasional lack of coordination and some disagreements between various UN offices did not affect the authentication process and the execution of the contract. Cotecna did experience some delays in receiving payment, through a lack of coordination between the different UN entities (UN-OIP, PD, OLA) and often had to adopt to agreed changes, in good faith, before the UN managed to adjust the contract accordingly. The UN also occasionally neglected to make formal written changes to the contract to reflect agreed procedures in the field and a breakdown in communications between departments coupled with the war in Iraq resulted in the UN failing to reimburse Cotecna fully for the construction of a site in Ar'ar. These were not, however, matters that affected Cotecna's performance in Iraq.

Since the inception of its contract in Iraq Cotecna has authenticated the arrival of goods in Iraq with a total of \$29.2 billion, of which no single authentication has been proven to be erroneous. Criticism of Cotecna normally stems from ignorance as to the limitations of our mandate. For instance, Cotecna had no involvement at all in the contracting or approval process or the valuation of the goods shipped, and yet blame has been apportioned by some in the media to Cotecna regarding the alleged over-pricing of goods. Cotecna has also received unfair criticism for not inspecting every truck or vessel entering Iraq when, as stated above, the mandate was reactive rather than proactive and Cotecna had no authority to inspect all goods.

OIP appeared to make every effort to facilitate the flow of goods while restricting any influence of the Government of Iraq over the payment process which might have involved coercing suppliers to pay illicit fees to ensure timely payment. It is my opinion that Security Council resolutions 661 and 986 relied upon member states to police exports through their export licensing arrangements rather than providing adequate security at the borders of Iraq. Since Cotecna had no authority to search any vehicle or vessel other than those presented for

inspection, weapons or banned products could simply have been transported across the borders since no mechanism for security inspection existed other than the multinational maritime interception force operating in the Persian Arabian gulf. It is also my opinion that the Security Council could have adopted a resolution extending the role of the Independent Inspection Agent to include physical inspection of all imports to ascertain that only approved goods were entering the country. But, again, such was not the case.

This concludes my prepared statement, Mr. Chairman. I would be pleased to answer any questions members of the Subcommittee might have.

[CV APPEARS ON NEXT PAGE]

#### COTECNA



#### CURRICULUM VITAE

NAME: André E. PRUNIAUX

NATIONALITY: French

LANGUAGE: French, English, (Spanish/Italian/German)

**CURRENT POSITION:** Senior Vice President – Africa and Middle East

Cotecna Inspection S.A., Geneva - Switzerland

#### **GENERAL QUALIFICATIONS**

> Chemical Engineer - Ecole Nationale Supérieure Génie Chimique, Toulouse, France, (1963)

> Licence in sciences, chemistry and mathematics, (1962)

 Post graduate research (Doctorate) in nuclear engineering – Centre d'Etudes Nucléaires de Cadarache, France (1964-1966)

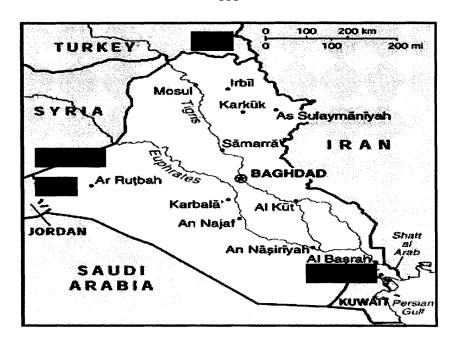
> Courses in Business Administration, Washington D.C. (USA), (1968-1969)

#### BRIEF CAREER HISTORY

1965-1968	Commissariat à l'Energie Atomique, France; various posts
1968-1969	American Chemical Society, Washington, D.C., USA; processing of data, scientific journalism
1969-1971	American Chemical Society, Frankfurt, Germany; Bureau Head
1971-1974	Oronzio de Nora Group, Milan, Italy; Manager of chemical and electro- chemical projects
1974-1987	Universal Engineering and Finance Corporation (UNEFICO), Geneva, Switzerland (subsidiary of Swiss Bank Corporation). Head of African activities, Marketing Director, General Manager
1987-1988	Société Générale de Surveillance, Geneva, Switzerland; Manager, Manufacturing Industry Department
1988-pres.	Cotecna Inspection S.A., Geneva, Switzerland, Senior Vice President

#### SPECIFIC EXPERIENCE IN TRADE SURVEILLANCE

- > Manager with SGS in the Manufacturing Industry Department
- Overall Management of full inspection contracts for the Governments of Nigeria, Kenya, Benin, Pakistan, Comoros, Niger, Togo, Ghana, Tanzania, etc.

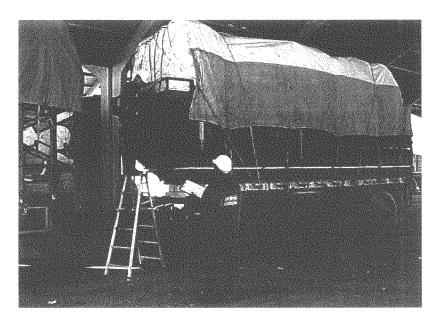


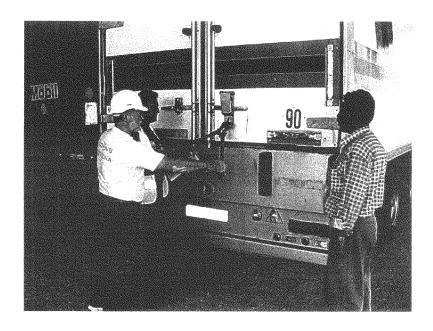
#### COTECNA

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#### INSPECTIONS' PHOTOS

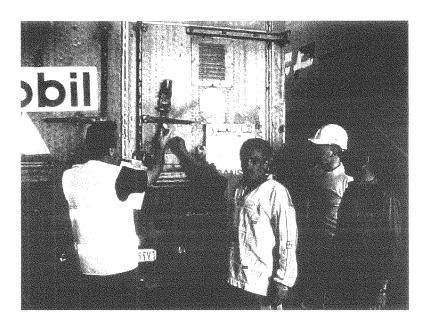
РНОТО N°	LOCATION	DESCRIPTION
1	AL WALEED	Physical Inspection Shed
2	AL WALEED	Refrigirator truck (medicin)
3	DUBAI	Inspection at sea (Launch)
4	DUBAI	Inspection at sea (Launch)
5	UMM QASR PORT	Inspection Seal Verification
6	AL WALEED	Inspection Seal Verification
7	ZAKHO	General Cargo Tires Inspection
8	ZAKHO	General Cargo Tubes Inspection
9	DUBAI	Offshore Inspection (Rice)
10	DUBAI	Offshore Inspection Approaching Vessel
11	ZAKHO	Truck - General Cargo





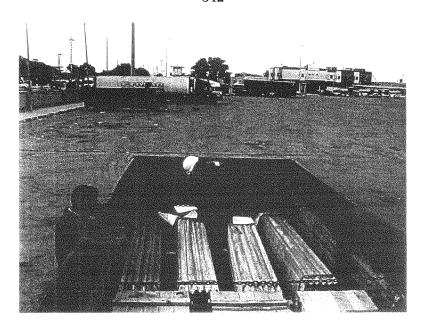


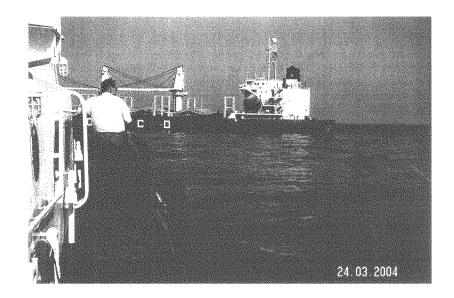
















## Subcommittee on National Security, Emerging Threats, and International Relations, Committee on Government Reform

Tuesday, October 5, 2004, 11:00 a.m.

## Cotecna Inspections S.A. Documents

d be to have the trucks return to the border lan I foresee that this sort of thing Ron, content or deay for ne whether the Syrien unhordres a close you content or deay for ne whether the Syrien unhordres are closely the soft wides deep content or substitution of a vice and set of the soft deep dear or substitution are all their contention thresting in which syries are a teample or prevent a terrorist crossing. This to substitution of or seen it has it the Lo Oox have any finant substitution are dear in the substitution of the substitution and the substitution of shears, if they are able to get away with it as to themselves personally. And, as you s need for some disintensited 3rd party to confirm looks in general, and specifically with this shipmen is poke to our inspectors out at the border after talking to Gezairi, and THOMAS C. KEITH
UNRECTOR, OIL FOR FOOD COORDINATION CENTER
CPA BACHILDAN
PHONE: 70270-4047; C: 814-380-3028
EMALI: weint@b-aphreafecun.com sst Regards, forn

"Kaith, T" <keitht@baghdedforum.com> on 12-02-2004 11:39:21 AM

To: "A Coins" -coins@un.org> co: "Frost, Gary" -cgirost@baghdadforum.com>, "Warkick, James (CIV)" -warkickj@otha.centcom.mil>

Subject: RE: FW: UN No. S/AC.26/2002/886/OC.1001983

Our inspectors have been allowed into that staging area before without any

cwartickl; joe saliba MAR Prunish Andre Thursday, February 12, 2004 1:40 PM Salbusy, Ce RE: PW: Uk No. SAC.25/2002/886/OC.1001993 to capacity. We would have no way of knowing if an inspected truck did actually enter traq, or turned around and went home. on processing them. Doing inspections right now are now lined up to tions. Perhaps as as well, as the port area is already apparently —Coppies Measure—
—Coppies Measure—
To teathing-application com
Cor. Y Coris - Conis - Flostigment un org, Gary - sprost
Cort - Y Coris - Conis - Flostigment un org, Gary - sprost
Coppies - Carlo - Flostigment un org, Gary - sprost
Coppies - Carlo - Flostigment un org, Gary - sprost
Coppies - Carlo - —Original Massage————Storic Sales Joo Front, Sales Joo Sent, Thursday, February 12, 2004 12.27 PM To: Prinarian Kride Zubjest FNF PVF UN No. SIAC.25/2002/896/OC. 1001983 Importance: High Thanks. Which 'port area' is Ron referring to? Andre, For your information. I will keep you posted. Joe Satibe Sorry to be the bearer of bad news, I can confirm that all traffic this morning. Our inspectors is already. Nobody is an this butter. I see the US Embassy hear André E. Prunieux Warm regards. Ron Hi Kedi to well as us operative warmed and add a consider the warmed to well the well maint and and a second and a second on the second of the second on the second of the second of the second on the second of the second trolysis - and la case ( Niele Williams) reported in Machinity Cartaits (Is beinty proposed reports of landing of landing of the Marchine of landing of 18 mais relability that is contract. - Participal perios - Some colación mispetios charle have Potesterm engines sourch workwither wille

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-Cols of Cloye

a are wet neckany

3 cars Quiet boden; goods coming mainly from Syria. Mainly night work. Goods: Whest, salt. all produced in Syria or some are imported trough Lattable (Also some Lebanese products)

15 inspectors Al Walid

18 inspectors always available therefore total is 24 inspectors

General information in the August Charles and the Charles are to on inport in 2000.

There is no niport in 2000.

If goods do not fit for human consumption if east not be authenticated. Loyds in groceding to consumer via expected, Fully in proper problems are suspected. Loyds seem see a spected fully import problem is as suspected. Loyds seem see a spected which import problems in good product insported. When I may be all the power vegatable gas / Audu milk and choose / toils cap place!

Loyds is hared 2 IT people in Iraq for all sites.

Q

HA006407

Is inspection always on site plus replacement during boliday. Total 18

Manazion in Mindla currency.

Manazion in Mindla currency.

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Manazioni in Mindla currency.

O'C their mans be provided to ILA at Zakho with ChR transportation documents.

After authenication goods are excerted from the Turkish brode of Zakho Jungland and the Charles of the passport all the substantiation goods are excerted from the Turkish brode of Zakho Jungland and the Charles of the Manazionication goods are excerted from the Turkish brode of Zakho Jungland and the Sakho (one local, one for sample dispatch, one to except to Jungland and Lauring in providing food to select the Sakho (one local, one for sample dispatch, one to except to Jungland and the sakho (one local, one for sample dispatch, one to except to Jungland and the sakho (one local, one for sample dispatch, one to except to Jungland This die is monty day time word.

Out cauring in providing food a local are used by Locyds
This die is monty day time word.

Sax Phone Back up systems are needed in case of treatdoring.

Sax Phone sheet the systems are needed in winner. Hearer silving conditioner are needed. ticated figures to suppliers and preferably do e Roppers do not give proper figures, cartificate from port of family provided : OC letter, Packing fier, manifest, cartificates from port of g (Commercial quality cartificates are sometimes withinkle) again bridge available at each port. For wheat Lloyds is using manifest figures USSR, US), boats are unloaded and loaded on trucks ar(FR, BR)/saft,

Il imposton already present therefore total of 15 Loyds impostopis possessy. Livyds camp is located in New port (5 cm Barrah).

Impostor can have a present the profession of the control of the profession of the control of the contr when the control of t OHC The part and an early called Casa Hood

The part allowed on Iraq territory to have local derix, secretaries, etc. in Al Rashid Hotel (Around 40usd/night) Manger : Senior Swedish customs officer. Exch mother Swedish) on with UN and Minis

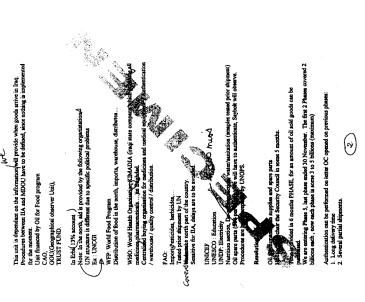
Lloyds has excellent contacts with UNICEF in ER

3 seaports Very hot up to 62 deg Main one is New port. Goods: Rice (Viernam

Umm Qasr

Reciprocally several OC lettheffor one ship (Ex containers) Goods can be suttenticated only when ship is fully unloade

HA006406



Linger's Commerce area has designed in the long of the selection of the se

HA006403

United Nation: Iraq Oil for Food Progras Moeting Wednesday 16 of Decemb

The combined information obtained by Coteona has now persuaded me that hosts were delivered just prior to the war and should be authenticated.

the Umm Qasr Port Manager.

i understand that Captain Gesphan is currently in Umm Cass. I would be grabtish for swifty Captain & account as ratified or tupscoy as in the supplier rise sheen whitely for 7 months for payment. If no response is more with or payment of Captain Castain Castain in the supplier is the supplier of Captain Castain and the submersion or proceeding the submersion.

A. UN organisa

General information

-In 923 millions inhabita - In briefly described pre - In explained political si Kurd Governors, this is of UNGCI is assisting in pre

in Baghdad MDOU: Maiti Disciplinary Observer Unit / Manikger Mr Odeh (Canadian)

15-20 people Check : if supply is distributed equisbby / efficiency / adequacy

HA006402

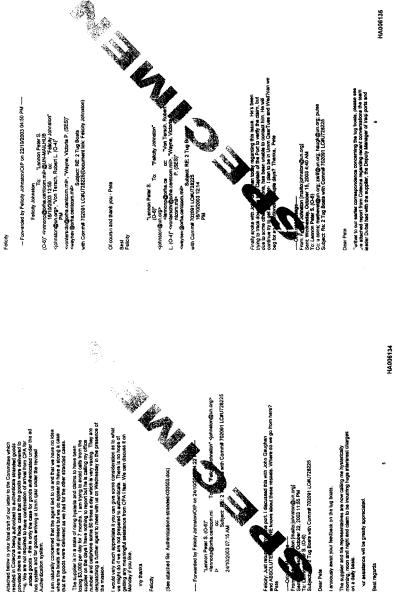
We remain concerned about the current whereaboust of the boats but if their is sufficient proof that they were delivered to Unin Qaar, our mandate requires that they be authenticated.

U Coins@OIP 10/10/2003 02:26 PM ZE3

Many thanks and regards

To: Johnston@un.org @ UN-MALHUB Joc. haugk@un.org @ un-maihub, pulee@ife.pi@un-maihub boc: Subject Re: 2 Tug Boets with Comm# 702091 LC#U728225

Please be advised that we had a meeting with Dr Alea Elbe



All the above documents, duly stamped and signed, confirm the delivery of the tugboats, with no remarks to the contrary.

I, unture right on a remail, aleaso (2017(DOX), and exciso for the history fifter besid in Baptionic stated but he had received a signed document of the AZIS (Secure of the Secure and Secure of the Secure of the official by the name of the AZI (Mohamed AL) histely MOU Manager at he when by O Communication in Begindic at was a secure of the repeating the history of Communication in Begindic at was a secure at the revesting.

Under the standed cargo rules, these documents, together with receiver it is a frimations, included the standard standar

One of the main issues we livel to, into locate the said boats, or other information of these whereadors. This was not successful, lard the response from the lira officials, was to successful, lard the response from the lira officials, was to the lira officials, and the lira officials, and the lira officials was at the lira procluding, the outs.

I note further that on an email dissed 24/10/2003, a letter was submitted by the Suppler or Anales, brinch a translation was done, staining that it is said upgobes and sparts were networked.

\*\*Return and but on dischass harmed as:

\*\*Letter 
Therefore, with all the above information, there is a "prin" bist the said cargo was delivered to frac, under the niles of "stranded goods". Based on all the information, written and ver occuments from the Receivers that the said them, my judgement, based that the cargo is "stranded" a prima facie" case exists (celluithe

That is all have on this, most diffi

From: Fand Zanl@OIP on 25/10/2003 01:28

To: Felicity Johnston/OiP@OIP. U Coins/OIP@OIP@UN+MAIL oz: orboron@go como. Pormainx Avide\* extende punitace/@cof UN-MAILHUS Salke Joe sos salka-godeona.ch\* @ UH-H Mocibob/OIP@OIP. Kari Haug/OIP@OIP, Jason Abraman/N

Subject: Re: Urgent - Sit rep on the tug boats (Document fink: U Coins (OIP))

./ssy, Fites, lef's meet sometime on Monday, Meanwhile, I am esking Coteon if they would feet comfortable, on the basis of their professional

judgement and in the light of the verifiable information available to them, to make an independent decision on authenticating the arrival of the tup boats in Iraq. Thanks. F2

Felicity Activation To: Faird Zaerfolp (2015) Darko Mochoborolle (3019) 24/10/2003 05.04 PM cc.: Nati Haugolle (3019) Subject Urgent - Sit tep on the tag boats

As per the attached e meil, CPA is unable to add anything to the equation and I am unaute how to progress.

Latest is that the supplier submitted a letter to us in Arabic the translation of which is as follows:

Two Tug Brush with Spare Parts 17 Tug Bear, 4000 He was Spare Parts from Petronan Corporation at 17 Tug Bear, 4000 He was Spare Parts from the Confession of 17 Tug 2012 act or we assure that the former frag Army Nea used for Tugs Controg Day was. undly be informed that the following has been received:

Engineer Andul Razak Ali Kaleh General Menager General Company for Itaqi Ports (no signature)

presented by the supplier in support of their and written communications from the port author



Mr Benon Y. Sevan's correspondence to 861 Committee, dated 5 April 2003 refers.

We have been doing tracking where possible, on stranded cargoes, and ha processing the Section of the Sectio

In the parcial case, the same pricialism model to be applied. The objects of the parcial case, the same page page. The objects of the confirmation of cases, because it was been to Sourcettery excitons or Communications the Patts.

Several insplaces communications have been drone, applied with meetings with officials in light populated, in the application, and the page page of the companion of t

. would be user with the compagnedness flowerded to us, from the OPF, Mg.
This case is party strong with the confirmation from the receiver as a focus mentally widestook.
The red you found that is we see pulp to account this as amongs well-widened for attraction that it was seen pulp to account this as amongs.

The Supplier forwarded an "Information Sheet on the 2y". This was receipted by OiP on 07/04/2003, whe stated that the said goods stated that the said goods arrived at Unim Gass. There is a OiP official, I age strived at Unim Gass. There is a OiP official, I age

As Abdul Hussain Feleh, Umm Qasr Port Operation Manager, dd

OFFICE OF THE IRAQ PROGRAMME – BUREAU CHARGE DU PROGRAMME IRAQ THE THE PROPERTY OF THE PROPER

REF: ED/2003/661/

Dear Mr. Chairman,

HA006129

HA006128

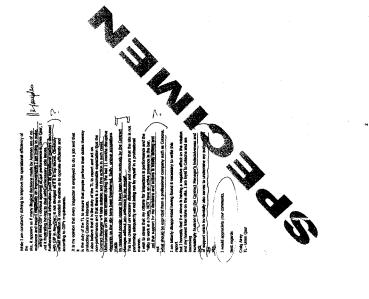
UNITED NATIONS ON NATIONS UNIES

5 April 2003

I should be grateful if you would circulate this letter to the ment their consideration of the approach described above, under a no-objection 2003.

Please accept, Excellency, the assurances of my highest conside

consignment movement reports and/or other pertinent documentation which checked to validate the client by projects that the concern of the trap. Programme should like to proceed in support of Code were defined as recommon retreastive enthermication of said deliverse, on an exceptional basis. Consignation to the control to have been delivered to fraq after 20 March 2003 will not be considured;



HA004744

appearent for in appearer reason.

COTECNA INSPECTION S.A.

CO-INS P.O. Bux 6155 . 1211 Gamma 6 . Switzerland TRI: (00.41.22) events 21 events 21 events 22 
Minutes of the meeting held in Geneva 29th December 2000 COTECNA S.A /UN SCR 986 Programme contract.-- Iraq

Participants:

Robert Massey Andre E. Pruniaux Milan Radenovic Joe Saliba

Chief Executive Officer Senior Vice President Contract Manager Ass. Contract Manager

Meeting was to emphasise and clarify in details the scope of work personnel, technical and procedures.

A- Administration: Contract, Sites structure - Contract

(Sites) Report to Amman/Geneva. B. Field; Four sites are run smoot communications.

UN 661 committee released all applications for cranes to Iraq, virtually few of these cranes remain in the UnmoQast Port to replace the current once.

HA004736

Emoit Reference source not lound REF: Meeting ROBERT MASSEY 29DEC 2
Jonvery, 2001

H. Email Authentication is presently running in parallel with fasting on all sites. Obesi it is proven accurate, class will be instructed by OIP to revitah fully to Brail Authentication. The full switch is incipered in January 01.

A. As of injection team in Unmograve have, whom are responsible for the allocated ship of a one to sow weeker on one particular ship with and unbesticated providing that here is no made unbesticated the seal of 
C. OIP has agreed to have additions workload on sites in particular I inspectors on sites instead of 54 increased to 81 as of February 2

3- Technical and Procedures:

regularly to RM/AEP.

A. Weel:ly report to be copie
B. Mourldy report for Iraqi C
C. Copy of sites Proces

Page 2 of 2

familing equipment, many examples of cargo, stocked end to and statis in the port. We use not familing equipment, many examples of cargo, stocked end to and statis in the port. We use not necessarily constitute forms arrived to goods in the port, discharged from adrips, does not necessarily constitute forms irrown to us those goods falls period. However, we do not use the cargo during this period. However, we do not use the properties are the state of unity of the period important to the state of the period in the period in the period in the period is cargo that has absorptionly that he port villones on a same responsibility for not important earth and the low industry of the period in the period of the period in the period of the period in the period of the period in the goods are presented to us upon leaving the port.

Pg: 77

13/81/81 19:38

tighigggerinder i wantsigggeggt

- 3. Dejus's statement about "cargo reported to Coterna" needs chaffeation, since it could muta formal notification has been itsued by the transporter that this particular caps is the gate the port was. This notification is always provided to Cotecna by the Port Anti-Cotecapault, when Dejan mentions, "leaving without imposition", we consignificant anareported cargo.
  - unreported actific.

    A. A pervisionally stated, Concara's impections in the port una were initing for the conspation in the port and statis the port authorities. However, and report and statis the port and statis the port and statis the port and statis the port and statis the post of the port and statis the post are emertials first.

    The post of the po
    - 5. While we will continue our efforts to facilitate and assistant by gribenticatic we are limited in that we must rely on the appropriate from
- Please note that some of the cases of shipments of the cases of the ca
  - inspected by us. We do not however, the time is the proposition of the proper supported by the substance of the proper supported by the New John and professional properties of the New John and the professional properties of the New John and the professional properties of the New John and The Ne

and the Malatagor To after, When we set the POR Anatomics are these goods with discrepancy and the best goods of discrepancy and the performance of the property of necessarily the case."

Finally, the proval by UN-OR of additional inspectors in fine (as requested by Coffinally, the proval by UN-OR of additional inspectors in fine (as requested by Coffinally, the proval by UN-OR of additional inspectors in fine and the proposed by the proposed in the property in the proposed by the property in the property in the property in the property of the property

together to keep you closely informed. However, kindly let us know if you have any We will continue to keep you closely informed. However, kindly let us know if you have any

other concerns or co

André E. Pruniaux Senior Vice President

Description in the process of the pr

e-mail of 11 January 2001 and I wish to

We have thoroughly analysed the comment as follows:

Felicity, Dejan,

 The Unm Qust to be proactive and the goods for ins

COLECTA TROFECATOR 6.4.

Polancis . 131 Gen 6 . Swindled

%Tennike-120 Gen 9

TELEGE 999 999

Felicity Johnston / Dejan Radojevic UN-OIP New York 00 1 212 – 963.80.83 (00 1 212 – 963.60.90) Mr. Parid Zarif

> Pax No. Copy

: 15 January 2001

Date To

Comments on the original acope of work  $P_{\rm max} = 10^{-10}$  from 2 . Lower stock on the  $10^{-10}$  spine with Compan of January 2011.

Feety Johanna Digital State Brown With to Cacider including in the scope of work excipenture.

Carl & Charillandon

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12. The prof.

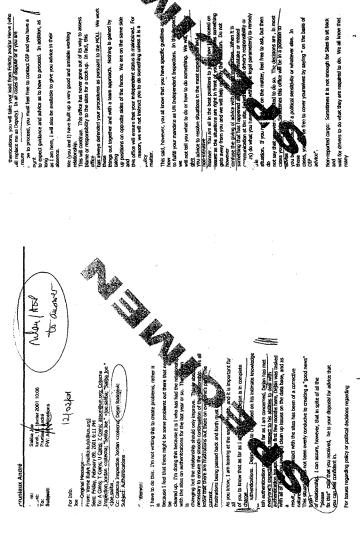
13. We would be a conditioned by UN-OIP are that authentify from your decommentation presented by the sampled. Fortungscent segan is the prof.

14. Which and ZARAD. Uning Cage, however it somewhat specification takes place only after confirmation that the good have entered for the privately left the prof. So the new works, substitution in take some goods that we physically not the paper steas. As you have never, substitution in the same goods that we physically not import steas. As you have never when the profession in the profession of the confirmation in any because goods that we physically not important when the profession is the case of Union Quity the Pervicementation and when proceeding its case of Union Quity the Pervicementation and when proceeding not according to the six to the preceding of presented to use We are of the option that the six to the preceding or physical are not because of the option that the contribution of decommentation presented to use very the contribution of decommentation in profession to unfarted the profession processing the physical are study for example to the procession of the physical are not be entry but the procession of the physical are not the procession of the physical are not the procession of the physical are not the procession of the physical procession of the procession of the physical are the physical are the physically and the physical are the physical are the physically and the physical 

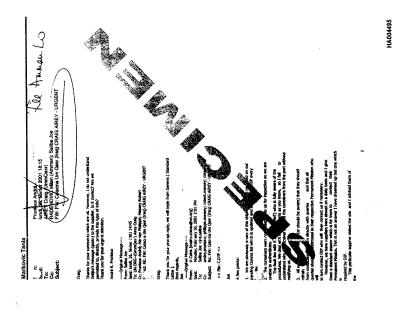

The Looker, you all brown that this is unacceptable and we all expect the set as all as the page agreement after. Inspection set if I search to be able to lied factor birth toy which for the IM and as such, by sould conduct beminders in in marrar that does not brok advanced to the build broken to the season of the conduct beminders in in marrar that does not brok advanced to the build broken to the conduct the build broken to the conduct that is a bottom to the contribit to the to the season of the proper freezon to compain about the IM. Peters them from the or or with the page of the total for the compain about the IM. Peters the conduct the conduct of the conduct to the conduct to the conduct of the conduct to the conduct to the conduct to all of you.

We have personal inpants to all of you.

4004576



HAD04574



Cooks to menor the entire aboveragion of the cook of any ways are also control to menor the entire above and a factor to a second of the entire above and a factor to a second of the entire and a second of the entire above and a factor to the the but a second of the entire and a second of th

The state of the s

To whom it may concern,

in regards to the false allegations concerning myself with a connection to a Star of David. In Infying to treat all any association with this star, or of the like, it was of great surprise and condision. The month is the condition of the camp had star of David is in Trebil rad in December during the holidays. In preparation four the holidays, the camp of Trebil had some decorations for this occasion. The camp had set up Christians lights, some paper decorations, and The camp had set up Christians lights, some paper decorations, and a Christians tree. This tree had a star on top made of some word. The tree and office where decorated by others and in now wiffsible or form did I have anything. In fact, I was completely gift of the placement of a star or anything. In fact, I was completely gift of the placement of a star or anything. In fact, I was completely gift of the next day that an outlet old not work in the office and the gifted by the next of which lights where to be bugged and gifted for the isson officer between Colecna and the Camp staff it is formally a livening bits job, the local staff made of the gift of the order of the collection and the camp with a staff. During this job, the local staff with one of the place in the first of the cand move furniture, ugs etc., agound the gift of paint the room... During this is to, the local staff with one had sufficed what unger endowed and was told by our Interform.

This for feeting is all that I can associate with the Star of David. In each fluary I was relocated to Zakho site by my request. It should wooled that Nasar, the camp manager in Trebil, was formally self by the Team Leader some time in Feb. For the record I starting to do with the decoration of the office, the decoration of the free to placement of such a star. This all that Lean associate with anything to do with the term star of David or of the like.

Gary Grabosi

The way connection which is brown.

The ten properties at the it forms of on the way to where.

The off the special way at the special way to where.

The off the properties at the it was to consider the special way to where the special way to where the special way to where the special way to the s

COINS P.D. Box 6135 - 1211 General 6 - Switzeland

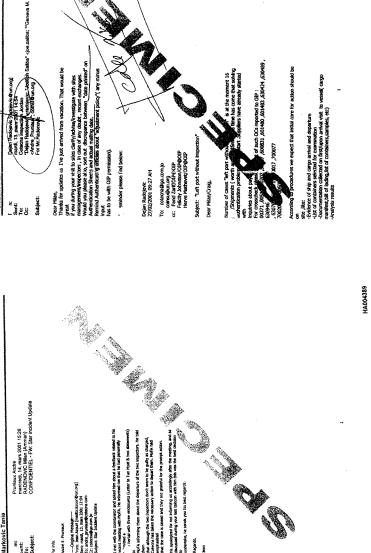
Date	: 08 March,2001	
ç.	: Mr Tun Myai	Confidential
	United Nations Humanitarian Coordinator UNOHCI, Baghdad	
From	. André E.Pruniaux Senior vice President - Cotecna SA -Geneva	
8	: Milan Radenovic , Joe Saliba, Jean Azouri	
FAX	: 00 1 212 963 3009	
Page(s)	47.	
Our ref.	: ps/03.00 S	
Subject	: Star Incident - Trebil, Irag	

Dear Mr Tun Myat,

I refer to our telephone conversation of tuday. We depty regret this unfortunate incident. As a result, two of our good impecture have to leave the passion.

As you can see from the attached pourfid decorations. It was unatentionally place. We have instructed the two Listocciors to way to Amman.

You are arready informed about the MOFA's request, I spoke by phone to Beato who was in charged of the stress in the process of the process and other process. It is not to the process and other process and other process and other process. It is not process and other process and other process and other process. It is not process and other process and process and other process. It is not process and other process and other process. It is not process and process and the process and process and other process. It is not process and the process and process and process and process and process. Salba Joo From: T Coins (T Coins/JNDPA.OP@inthub.un.org) Sant: Monday, March 05, 2001 11:09 AM Co: postablos Subject: Gary Graboski & John Aheine





and control to control to the state does now the surviving commodity and properly and and properly and a the properly and a the properly and a properl

COTECNA INSPECTION S.A. Sa. ne de la ferratière 1207 GNFN - SWIZELAND TEL 1/2286 8000 + 5xt 41,2286 8999

FAX

Date : 16 october 2000

To : Felicity Johnson Chiel Customs Expert
: Verne Kuhyk Customs Expert
Page(s) : 1 (this one inclued)
Our ref : 006/fm
Subject : Hight to Baghdad We have been unofficially invited to attend the anival of a carrying some commodities. I have instructed the cotecna staff in Baghdad unless directly authorised by Cotecna Geneva (instructions from UN-OIP New York. Kindiy conlirm by return that this is the right

こうちょうない これのない 大大のなのではない

Andre, Lkyd Adem has atlanded landing of one recent alroad which

17/10 '00 13:16 PAL 41 22 848 68 39

HA004142

In any case Umm Gasr team need to show high vigitance and accuracy dealing with increased worldeed,

Regards, Milan

T Tania T Tania V Cachour 19, 2000 10:27 AM

These year.

These year.

These year.

These year.

These year and the year of officially lettered in the Additional Particular of t

0d. Co, 2000

Tun Mynt, the U.N. humanitarian coordinator in Baghdad, told a news conference inspection opportune needing to the changed from the lights that he said were giving "more moral support than saveting-fast" At alternating first; needs.

Soften 26 fights havehanded in Baghdad in the last month, from Arab countries and Russis and Phage, "Mongated the challenge to the U.N. sanctions by constending terer is no bus or within air law-d. nitarian coordinator in Baghdad, told a news conference imspection bhanged for the flights that he said were giving "more moral support wisting Imq's needs.

air trends, of the Security Council's Iraqi sanctions committee, speaking on condition of assorption; said the proposition was two who insepected the Ilight bis orders from they due to could not be extinated without a week! notice.

Most of the attracted depart with about order or some at 11. "We certaind area by gaining that they does of the attracted depart with about order or some at 11. "We certaind the area by gaining them, several day in advance, "the errory said.

Mays was in New York of the first intens saine he used up his poor in Baychadt has IM sty for a review of the major of 10-years of UR. The associate.

May was in New York order first intensis saine he used up his poor in Baychad has IM syr for a review of the major of 10-years of UR. The associate.

In a first the second or a version of 10-years of UR. The associates.

First imports as werage of 150 of 200 tons a month of food and other supplies. The major is a second or and the second in a first or the second or and the second or are second or and the sec

ons of the issue on Friday but no

The communique did not say whether the organization had sought reproval from the United Nutrious searchers communic from the Marking the fight. Nutrious searchers communic from the Marking the fight. On Demandars there can profit a maiocainty of the implace would be, though flights recently from Demandars there are not of surface whether the Marking flights are stated the enthergoe, following Russian and French flights, also the foreign of laggification and the marker of her query flights, the state of the superior of the sanctions regime, does not cover private no commercial flights. Washington and London inset all flights must be approved by a UNI.

Palesthish plans in fly wounded to Baghdad
BAGHDAD, Cot 25 (AFP) - A Pelesthina sirrent is to fly o
with itsented froez for transment in Baghda, a Puelotinian dip
while freshe for the same in the Baghda, a Puelotinian dip
wounded who will be hospitalised in Iraq, "said Dalil al-Qua
wounded who will be hospitalised in Iraq," said Dalil al-Qua

tion. It could be simply a symbolic fithe Gulf War when Iraq invaded

to move on Israel," the sourt the troop movements in Iraq

c and Gaza Strip has cost 138 lives, the wast r

Tuesday, ition to what they are doing," Rear Adm. Craig Quigley, a ed States is still closely watching the movement opers only to be part of an annual training cycle,

He also said that improvements in food and health were held back by the collapsing value of the first jets of the collapsing the collapsing value of the first interpretation of the collection of the collapsing value of 
inefficient and thus to blame for higher infar in the Kurdish north, where health

to none," he said. "Food gets to everyone it is

UNITED NATIONS, Oet 19 (Reuters) - A U.M. official acted for help on Thursday in impocing eago on a read of flighte going to Inq., some of which apparently are not being examined for baned goods.

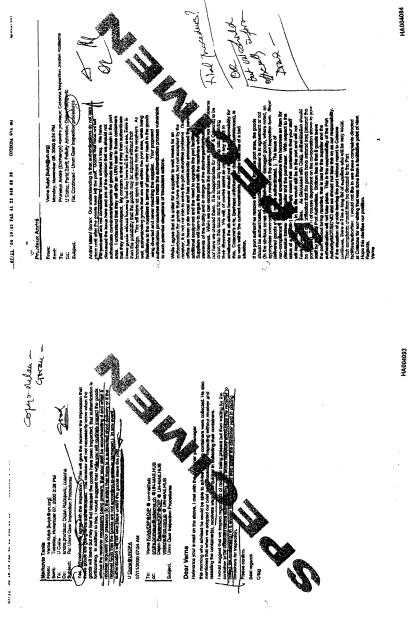
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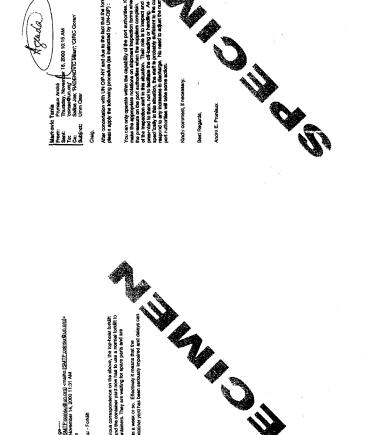
Office of the Iraq Programme

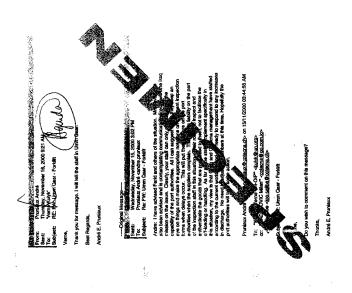
Inqi, oil supplies to Jordan are exempted from United Nations saucations. The newly spatiated Montains are exempted from United Nations associated. The newly spatiated Another Hose staffer a number of instancementalings over the last frew years. October, symptomic staffer a number of instancementalings over the last frew years. October, symptomic to large in the 1990-91 office raise over Kowari, turned against 18-gabad in 1995 and gave staffers to large due to 1990 office and gave staffers to major defectors. The last King Hussein then called for a change-staffinite recent years lorden has been as advocate of tithing the sanctions, which it may harm of the farmy people.

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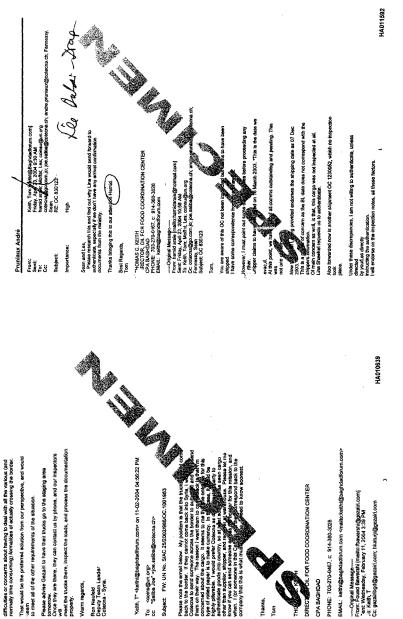






4. Golde, communication of the considering repeated for contain the back and contained on the contained properties of contained by the contained properties of the contained contained on the contained contai

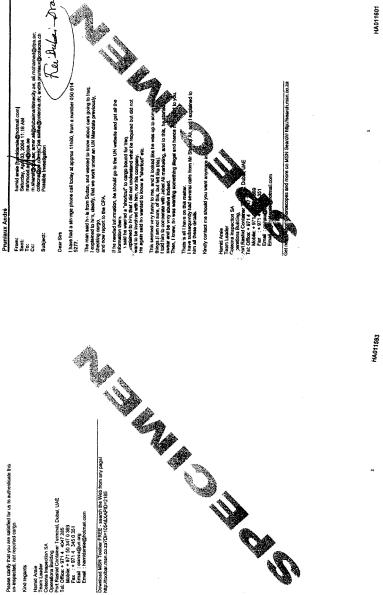
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CPA BAGHDAD

Ron Neufeld Deputy Team Leader Cotecna - Syria.

Warm regards,





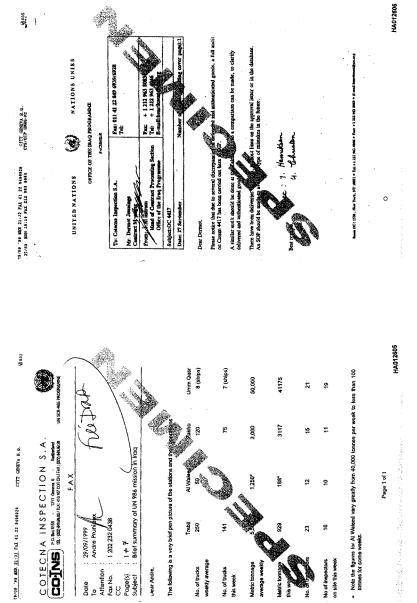
NATIONS UNIES UNITED NATIONS

chest of electron electron contrated designations and the test of the contrate 
REF: ED/2003/661/

Dear Mr. Chairman,

the Personal to paragraph 8 (a) (iii) of Seculor of the Memorandum of Debestamidies personal Government of Faq on the Implementation of programs 3.6 of the procedures of the Security (1909), the arrival of humanisation applies to important early the Security of the Companisation applies to inspective ageing applies the programs of the procedure of the Security of the Companisation of

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Jear Andre,

20/09 '98 MEN 21:32 PAI 4& 22 8488928 CTTP CENETA B.Q. 29/09 '98 11:28 PAI 94873982646824 COTRONA 24MEN

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COJNS COTECNA INSPECTION S.A. ZAKHO, IRAQ

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HA012607

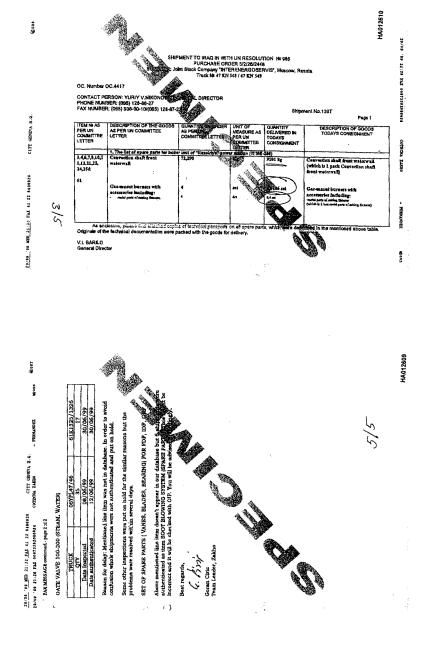
7000

CITT GENEVA S.Q.

18/05 '99 KER 21:31 FAL 41 22 8496528

Meeting with Ms. Ven Spenuck Mapice it will not be raised in your meeting but just in case I think it's better to be briefed on the issue.

Referring to you fax dated 05/07/99 please find



₩ 002

CITT GENEYA B.Q.

29/08 '88 NER 21:31 FAX 41 22 8486828

CITT GENERA B.Q.

000

asked Goran to give me a full report on the previous related correspondence.

The OIP has sent a note requesting a full audit of the OC, which audit is presently nearing completion in Zalcho. You will note the tone of the final sentence of the last paragraph of the latter.

This was and is not the on the goods show figures the document showing the document showing the 0.0206 of a set trepreselt documents that are preselt documents that are preselt.

## The westel arrived at the port, of the control of t 61 Tests Company for Foodstuff Trading), on the next day rejected the fin accordance with the contract specifications since no label marks were and since the shape of same were not acceptable". Under the signature of Mr. Minux, Senior Vice President, and MOFA (on 08 December it of instant milk powder, from Spain of 05 December And Stephani Lekster - Ust - Opp Mr. John Almatrom - Chief, Compare Processing Section - UN - OIP 00 1 212 - 963 808 3 (etc.) on 1212 - 963 609 90. Chief Chen Chener - Concran - Contract Manager - UN - OIP 864/jb Authenication of Commodities - Your fax of 09 Dece We refer to your above mentioned fax and to the attached MOF, 1969. As indicated in UNOHCI's transmission fax of 08 De von Sponeck), this matter was raised with our Mr. Metring meetings in Baghdad with MOT (on 06 December 1999). We confirm that MOFA's allegations conferm a st (OC50617), authenticated by Cotecna in Umm Oper.

The consignment was authenticated by Coucean on 29 September 1999 under instruction from OP – Mr. Hearitzen Torben. According to our information, it also seems that preshipment impredion was done by Bureau Verites. Shape of suchet was not stipulated in the comment appendituations.

ctivity and heavy metals, indicated that these goods were fit for human

We, therefore, consider that this is a typical commercial dispute between a supplier and the Iraqi importer, totally outside of Cotecas's contract with UN-OIP. We firmly reject MOFA's allegations and consider that we have duly hilfilled our contractual obligations and acted according to UN-OIP's instructions. Finally, we understand that the milk has been standing in the port of Unun Quar since its unloading. We remain at the entire disposal of the UN-OIP services for any further additional information, including hard copies of related documents. Yours sincerely,

16 December 1999

FAX: (41-22) 849.69.39

TLX : 413 167 COT CH

FAX

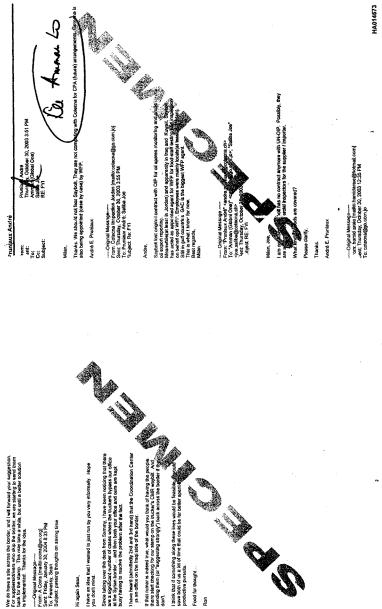
: 16 December, 1999

Fax No.

COTECNA INSPECTION S.A. P.D. Box 6155 . IZII Genera 6 . Safetachard

58, Terrussiere - 1207 Geneva TEL: (41-22) 349.69.00

HA012724



**200**2

Cc; joe:saba@cotecna.ch; andre.pruniaux@cotecna.ch Subject: FY?

Please be advised that Kerl from OIP has sent a email resgriting a ship that we did not inspect. The ship was attended by Saybolt, and some other agents in Kuwait and UO.

He is asking that I confirm some figures, or make comments on documents that

are done by shippers. Also a request to call a company in Kuwait for verification etc etc.

Needless to say, I will not comment on this, and am surprised that Karl asks These kinds of questions.

I feel that Seybod is down inspections, and feel that they are an opposition to us, hence to will a comfact of interest (Coloporate represent instease) if I comment. The appears and figures book good, but do not lead continuable confirming their figures, etc.

will forward this email to you, but wented to state from my private nat this is not in our interests, to help the opposition inspection co. based either in Kuwait or UQ.

## Questions and Answers re: RFPS-204

- Q). What will be duration of the mandate? Indeed it is understood that this mandate is directly inked to the current Oil for Food programms; what this existing embargo is either modified or suspended in a near future?
- The mandate for any phase of the immenitarian pro it is subject to enzewel by the United Methous Secu-crymation. It is the absolute preropative of the Secu-monify the import \* export restrictions (exactions to apply to June, It is not possible to forcess when the modify or support the criticing import \* apport area from such a modification or maporation may that, and not impossible, at this sage to assess the truji-laries not impossible, at this sage to assess the truji-laries Ŕ
- What is the imple 8
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- Ŕ

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U4/24/U1 15:01 FAX 212 563 1746

lisq that pertain in any way to the issues or services contained in the RFP and the mandate of the independent inspection agents would have to be reviewed in order to determine whether a condite of interests exists.

(55) How will the transition between the current contractor and the new contractor be done - will there for instance be a period of overlapp

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Q7. Is it possible or all
A. Yes.
Q8. Are inspectors of allowed?

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shortly after its approval by the Security Council Committee established by resolution 661 (1990).

(16. Please provide figures of estimated volume imported annually through each day station/horder point.

The following represents a rough estimate of the amual volume of traffic at each border entry point: Ą

Oll. Pleuse clarify how the contractor of the Oil for Food Programme.

A. Imports to Iraq that are not part of the O
the mandate of the independent impossite

HA014838

Ø 002

### CLARIFICATION POR 92:

### ADDITIONAL QUESTIONS

Q12 Will the UN give permission for the that hardware which is necessary for the pallow the utilization of their software

Lated in the REP, 62 inspectors are to be present at the four border points at all times. These 62 inspectors will take turus in performing

of its intention to do so not loss than Meen (15) days prior to the expiration of the then current term of the contract.

Q15 Will the compact automatically be extended if the contractor is performing his duties satisfactorily and if so, for how long before it must go in public tender?

A Please see reply to Q14 which answers this question

Q16 When is the contract enticipated to begin?

The contract is to begin on I Angust 2001, which is after the expiration of the current contract.

Q17 Will Annex E form the basis of the contract?

A Annex E which is the UN General Condition the contract.

A We regret that we cannot give out

Q19 Will there be a mobiliz

Q18 Is it possible to have a copy of the cont

0Z)

actor provides the UN with the CVs of

HA014842

HA014841

04/2//01 14:44 FAX 212 863 3746

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; incheston agents, does that mean 62 inspectors on duty all the time. of the inspectors relaxing-testing until it is their duty?

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04/27/03 14:45 FAL 212 963 3746

United Nations Security Council resolution 986 (1995), and subser resolutions, active the Security Council Committee established by resolut (Bertinisher referred to as "the Committee") to making the import into it humanitation supplies by the Government of Iraq and the referrant United agencies and programmes. Security Council resolution 1175 (1989) direct Committee to monitor the import into Iraq of oil spare parts and equipme Government of Iraq.

STATEMENT OF WORK

The coatractor will provide all services and a description, value and quantity of humanitarian suppequipment arriving in Iraq are in accordance with the Committee.

HA014847

A There are no restrictions on the origins on the compusies. There are restrictions on the personnel going to Iraq. Q23 For the price schedule, should the quoted price be per smum?

ten (10) additional persons from among the candidates who are acceptable to serve as replacement assents.

For these purposes, the United Nations is soliciting proposals for the services of independent inspection agents to perform, inser ada, the tasks detailed below:

# Authenticated confirmation of the arrival of humanitarian supplies

- (a) The agents shall confirm unspect into Iraq, pursuant to Scaurity reconduces 966 (1985), 1175 (1989) and adsorption theoleted resolutions 966 (1985), 1175 (1989) and adsorption the effect resolution in suppliers and oil space parts and equipment, implied intensity to exertification, impection and teating processing in the processia.
- (b) In doing so, the agents will cross-theck and compoundation, such as bils of lading, other ship naziliess with the letter of approval and other off Committee against humanitarian supplies and, off arriving in Iraq.
- (c) The agents shall, among

inspection and authentication procedures

On certain occasions, the Committee will identify an item(s) as being of a sessive nature and make their approval conditional upon reactes's cred-sast of operations are consistent and another and reporting by the United Nations. In addition to the casts outlined above, the agents will be required to undertable special inspection and 3

authenication procedures. In this regard, the duties of the agents will include, inter alia, the following:

- (a) The United Nations will notify the agents, through a monthly update, of the relevant fencils by Comm. number that equits repeir impection and authentication procedures. Separate liets will be prepared for humanisarian supplies and oil agree parts and equipment. This monthly update will also be provided to the United Nations and the independent oil impection agents we contracted separately by the United Nations.
  - (b) The item(s) in question will be inspected and autientics upon grazinal, the border emp opinite to first The ages upon grazinal, the border emp opinite to first properties of the properties of the properties and, with regard to oil spare part also to be oil inspection agents, and delivery of that fully completed. That will constitute an automorphy, obligations outlined above.

Milles transported from Irag

(b) As the item(\$) in question exits Iraq from the relevant border crossing point the agents will verify the export of the item(\$) by undertaking the necessary procedures, including a check on the status of the seal.

(c) The agents will then report to the United Nations and, with regard to oil spare parts and equipment, also to the oil inspection agents, the darks as procedures undertaken.

will liaise with the (a) Upon being informed by the Gos exported for the purposes of repl Government of Iraq and localed

location to document the identifying ment for shipment and affix a URN (b) The agents will under data, witness the pack scal to ensure that it is

The agents will liaise with UNOHCI and, if necessary, the supplier and the Government of Iraq, to obtain the shipping schedule for the return of the equipment to Iraq and inspect the re-entry of the item(s) in question.

(a) Obtain from the Government of fraq the location and schedule of delivery for the service to be provided.

(b) Verify that the service is commensurate with the conditions of approval by the Committee.

(c) Report on a regular basis to the United Nations during the provision of the service, and also upon completion with full details of implementation.

The United Nations shall have the right to expand the contractor at any point, subject to the United Nations' obligat additional agents that may be required as a result thereof.

The connector shill be repossible for making the consure the shiftliness of its obligations. The contractor shill need to first obligations. The contractor shill accordance with the highest professional standards. The United Nations may request any of the sgents. The contractor shall, replace such personnel forthwith. The subject to the prior approval of the fin

services indicated in the RFP unless selection of such person in writing. No agent shall be the United I atlons has a

For the state of t

services provided by "Fore, segues services and an economication, and contracts and provided by "Fore segues services and an economical services and an economical services and economical services are economical services are economical services and economical services are economical services ar

The United Nations shalf off the liable for any action, omission, negligence or misconduct of The Contractor's supplyees, agents, servants or sub-contractors nor for any insurance coverage which may be necessary or desirable, nor for any costs,

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HA014850

On certain occasions, the Government of Iraq may mak transport of ne item() subside for the progressed. Irectail although inspection procedures fifty sledy required. On such necession and verify the pre-subjecting preplation and expen-fine regard to humanitation supplies, the duties of the grad-follows:

ightrom the relevant border crossing point, the agents port of the item(s) by undertaking the necessary a check on the status of the seat. eats will then report to the United Nations and, with regard to oil arts and equipment, also to the oil inspection agents, the details of

On occasion, special inspection and authentication procedures may be necessary for service-based countaris. In this regard, the duties of the agents will be, inter diffi, the following:

espenses or claims associated with any illness, death, injury, death or disability of the contractor's employees agents, servants or sub-contractors. )

The number of agents and the duty stations to which they will be deployed is as follows, bearing in mind that the proposers are requested to suggest the shift structure: Table I Number of inspection agents

This table sets out the number number of separate assigned to each sit (strenging, while be devised for each in workfoad and jo gassure. Addomn. "All own the others, as determined by the Unit This group must include one information of source support tables on hardware as

data processing equipment and software supplied and utilized by the contractor performing its obligations shall be of the highest quality, and be fully compatitue equipment and software utilized by the United Nations in connection with

REQUEST FOR PROPOSALE

### COTECNA INSPECTION S.A.

STANDARD OPERATING PROCEDURES Trebil Site

Memorandum of Understanding between the Un of Iraq on the implementation of Security Council United Nations Security Council resolution 986

Contract between the United Nations and CO.

BACKGROUND:

The UN SCR I the Security ( and petroleun finance the ex supplies for ex

HA014852

RECLEST FOR PROPOSALS

HA015193

For the purpose of achieving uniformity in application of procedures and reaching the highest standard of efficiency, detailed procedures for inspection specified as follows: (1) For Regular 986 Commodities and Oli-for-(a) check the Iraqi manife there is no stamp on th to the Iraqi Customs to III. INSPECTION HA015192 COTECNA In order to ensure that the role of COTECNA INSPECTION S.A., the inharkenshation of the UNSCR 986 Oil-fox-food Programme acarried out in the most efficient manner the area of work is divided, job responsibilities as follows. order is divided into 4 shifts i.e., A Shift 0900 -1300 B Shift 1300 -1700 C Shift 1700 - 21000 D Shift 2100 - until last truck RECKERT FOR PROPOSALS SPPS-201 PROCEDURES Since all UNSCR 986 goods coming from the trucks, the job responsibility of this site inspections. 293 At the border office, normally the truck drifter his truck cargo e.g.: II. ROSTER 

SV(CC)

COTECNA

AECUEST FOR PROPOSALS APPLIES

In case of any discrepancy on the documentation and/or with the committee paperwork will be brought to the (Dep)Team Leader for consultaverification and his further action.

(4) Hold

(3) Discrepancies

authentication on type of controct authenticating procedure required in the (engines and machines are deathfed numbes and deathfed machines and elementication from approval letter will be reported obvious cases will be supported by photos camers.

For foodstuff, medicaments, powder samples will be draw procedures at Enclosure 2).

Samples are handed charge for onward proc

(5) Completion of inspec

IV. DATA SHIFT

) apply the same procedures for Phases 1 & 2 with the exception of (g) above. Inspectors will not carry out a physical inspection of the goods. dures for Phases 3, 4, 5, 6, 7,8...

Notify authenticating official and upon his instruction

(c) For commodities inherent to the 661 OC letter or 2.2 % account inspectors will not carry out physical inspection of the goods, neither will retain copies of the shipping documents.

295

REQUEST FOR PROPOSALS REPS-284 (1) Data Input:

Conditions: Server and data workstations separated and isolated fron other offices.

Access to the server and to the workstations authentication/data entry and IT officials only, with glevel. Data entry inspectors use user ID as starting level.

IT personnel in charge has exclusive access to modifications of the settings allowed unless strictly inst Section.

The inspector will then

(a) enter details in Lotus Note

Murck sheets) will be signed by but in database.

mary Report for MDOU Baghdad

report for Saybolt fraq - Notification of oil spare its (if any), Notification of end-use monitoring oil

The authenticating official (TL or DTL) will perform the following duties:

PRESENTED BY COTECURA REPETION S.A.
14 no de la Testacades - 1277 Contre - Sustantind (Fil. 41 32 - 148 55.00 – Fil. 41 22 - 246 55.00

RECNEST FOR PROPOSALS RPPS-284

(b) authenticating official will then give final tratuction for storting all authentication sheets in master file. All data have to be ready before automatic replication will start.

(c) No modification of entered data will be allowed after replication from the site and pending strict consent from the OIP.

(3) E - Mail and Data Replication.

Transmission of the authentication sheets takes Procedure in brief is as follows:

(b) Zipped file is named:

Zipped e-mail file is printed out (all pages) stamped and additionally aligned by the authenticaling official. Hard copies (fully identical) serve as back-up for any future reference.

					ATTACHMENT "4"		San Caooga atts		OS VON MAN											PRESENTS BY COTICUA MAPECTOR S.A.	54 ton the Terrenciales - 1207 Conness - Beltzertone (14s. 41 IZ - pala 86.60 - Fez.	300
INDUSTRICE PERFORMS COTECNA	authentic back-up copies, which are the print-outs of the zipped file.	(n) All respective inspection / input documents are filed by Data shift.	(i) Completed comms are double-checked to verify if the 'date of 'completen's entered in one of the shipmain inspectors, pre-completency and it all the items are completed and little.	entered). Complete comm is entered into "Complete committee."	Completed comms are given to the inspector og traffing unity.	Reports	The following reports are produced and further in the out:		(a) daily staff movement and the cation report to Amman	(b) weekly report to Arrimen and Geneve	monthly upde Rolling at completed comms – produced and sent to the QIP Authority parties in 1 sent at the beginning of each month for the farmers. From		Minenlary and car report		Daily, weekly and monthly back-up of the database	statistics are compiled in respect to the following	number of completed comms (Note:Comm is not complete unless confirmed from the IT OIP as complete)	Agancy Goods Phase 1&2 (once a week, each Friday)	statistics for 'Weekty Report', based on 'Daily Summary Report'		PREMIUTES BY COTROIN MEMORTTON 8.4. Se no de la Terresaise - 1,201 Genera - Exércatend (1st. st. 22 - pala, pp. 30 - fou st. 22 - bala pp. 30)	299 HA016198
<b>84</b> (93	authe file.	(h) All ma shiff.	(i) Comp comp respe	enten list* fc	Complete	V. Other Duties and Reports	The following re	(1) Reports	(a) daily s	(p) week	d) monthly update to the QIR As	(a)	Mount	VI) functions	(a) Dai	ens (q)	nun •	• Age	statistic     Report		Së rus de la Terrassido	

COTECNA INSPECTION S.A. Umm Qasr Site Contract between the United Nations and COTEG Memorandum of Understanding between the Unit of Iraq on the Implementation of Security Council BACKGFOUND COTECNA INSPECTION S.A. Standard Operating Procedury
COTECNA Inspectors
In
UN SCR 986 Programme III for

STANDARD OPERATING PROCEDURES

United Nations Security Council resolution 986 dated 14'

302

HA015200

On return to the office the duty learn will enter all information on the notice board in the hispector's office. At that time the TL, D'TL or ADT, will assign any new ship to one of the beams of inspectors. This beam will then take reporting responsibility for that ship. (a) if documents are missing, the team will immediately make a request for the missing documents COTECNA (f) Collect samples together with the relevant authoritie documents carefully while on board ship When a team of inspectors is assigned to a newly cerry out the following procedures: (a) board the ship as soon as possible REQUEST FOR PROPOSALE RPPS-344 (b) visit the master and identify I under UN control (A) Procedure on arrival of a vessel: (c) collect the followin 2. Dutles of Inspectors 8 (100

COTECNA

REQUEST FOR PHOPOGRALS RPPG-284 PROCEDURES

S C

in order to ensure that the role of COTECNA INSPECTION S.A., the implementation of the UNSCR 986 Olf-fox-food Programm carried out in the most efficient manner the area of work is divided job responsibilities as follows.

I. GENERAL

Since all UN SCR 986 goods coming into Umm Qasr are job responsibility of this site is concerned mainly with ship

II. ROSTER

FA THE GE IN TESTINABLES - 1207 GAINTIG. ALS ASSTRUCTION B.A.
THE UP GE IN TESTINABLES - 1207 GAINTIG. - SHALMBLAND (T.S. - \$46.68.30) - Fax 41 23 - \$45.68.30)

303

sels is done by whoever is in charge of the site at the time

III. INSPECTION

HA015203

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(EDEN) COTECNA	(C) Procedure during discharbing	At the port the team of inspectors will:	(a) visit their assigned ship at least twice a day(first visit OBH30 the latest)	(b) contact the master, port supervisor, foreman and again toget information on how declaraging is proceeding	(c) inspect cargo in all holds and view the life of pictuargo handlers.	(d) monitor all addydy natative to the united by the state in the event of any difficulties attaining the event of the problem and will be in a position to progregate.	(e) inspect the sheds regularly to the fifty stryc walfing to be re- bagged	(f) give a copy of isigner of the selected for examination to manager or longithf at the fortainer office. They will get copy signed by mapped or office and the copy is filed the the appropriation of the copy is filed the the appropriation of the copy is filed the selection of the copy is filed the copy of the copy is filed the copy of the copy is filed the copy is filed the copy of the copy in the copy is filed the copy of the copy of the copy in the copy is filed the copy of the		in the state of th	file a printout with the ships documents.  (c) record the usuality discharated on the weekly status report which	is plimed to the board in the trapectors' room.	(D) Procedure when discharging has finished: In port the lean will	(a) be aware of the time when discharging has finished	PASSETTED BY COTROLA SEPECTION BA
FEDGLEST FOR PROPOSALS	COTECNA	(B) Procedure at the office	ni redunit to the clines the best will. (a) examine all documents again	(b) in case of any missing documents immediately contact the suppler to bitain the missing documents or get clandigities (since the serior alone one of the forecast and the control for contact indiate.	2 Copies of the fax to be printed — 1 for the file and 1 for tiple update. At correspondence to be signed by \$\frac{1}{2} \in \frac{1}{2} \text{Till limit} standardised fax cover sheet to be update.	(c) highlight all essential figures as Corng. We represent the company of the com	(d) Advise datashift of arrived Confine Capability and the check validity, check all lines are tagged, checking and whether all lines	J. J.	(f) enter all define on prossets' arrival / report on the notice board in rest.	(g) happed for collected eampies to sample heam for processing and the collected samples to sample heart for the collected file in t	() for container stripments. There is list of containers selected for inspector for each Comm No.	(i) for spare parts - immediately inform Saybolt of arrival by e-mail according to Saybolt procedures.	(k) for end-use monitoring – datashift to advise UNOHCI by e-mail.	Ž	

COTECNA

REQUEST FOR PROPOSALS

	COTECNA
PLOADENT POR PROPULA	
COTECNA	(1) IV. DATA SHIFT
(b) board the ship and check in all holds and on the deck for	
damaged cargo and sweepings	Conditions: Server and data workstations separated and isolated in
(c) count all damaged bags and estimate the total quantity of	Access to the server and to the data workstations allowed to
damaged cargo and sweepings	authentication/data entry and IT officials only, with graduated acc
(d) check if good cargo is remaining on board and find out the	Idver, Data entry Kispectors use user in as statutis refer.
reason for this	modifications of the settings allowed unless strictly instructed from
(e) check/estimate quantity of good cargo remaining inghe shade.	IT Section.
	The inspector will then
The team has to be present on board when the masterarional architectures are singled the 'Final Statement of Fact'. They will provide the Brown and Statement of Fact'.	(a) contract desirate in Letter Antae desphases.
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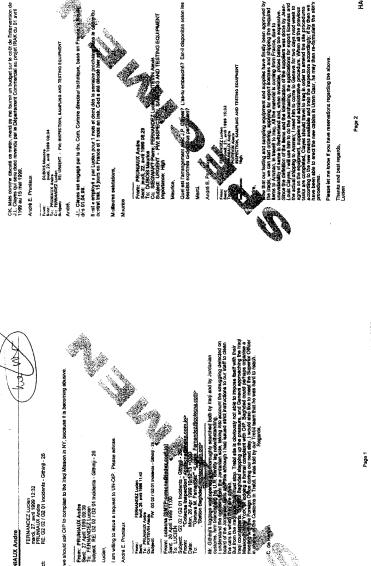
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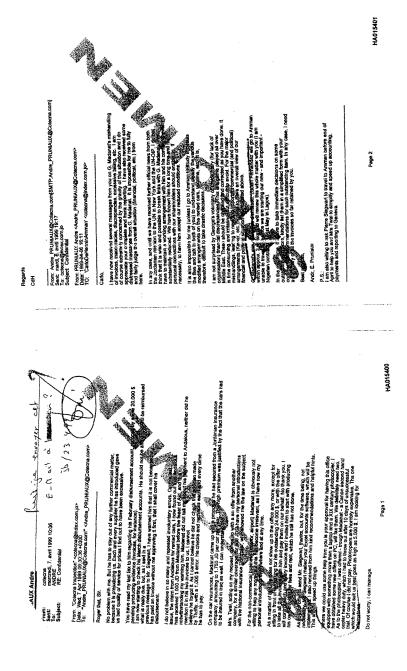
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CONTRACT ED/CON/324/98

Derico NATIONS

AND AND AND AND AND ADDRESS OF THE PROVISION OF INDEFENDENT INSPECTION, AGENTS

This Contract is entered into by and between the UNITED NATIONS, which contracts and inter-presentable and approximated to again into the with its adversariation. Inter-present the contract of the contract

WIRELS the UN, in furtherance of the mandate of certain United Watchs Security Council Fesointions, withset to engage the Contractor to provide services of individuals, employed by the Contractor with Institutes of individuals, employed by the Contractor with Institute separatene and qualifications to assist in monitoring 11; the import into Targo is fummanistarian supplies and other and enginems to the performance and (11) the performance of services succiliary to the import such goods, all on the terms and conditions set forth in this foots.

WEXDEAS, the Contractor represents that it is qualified, ready, able and willing to provide these services on the terms and conditions set forth in this Contract;

NOW, THERETORE, the Parties hereto mutually agree as follows:

A. GENERAL Article 1.Go

In This Western and all annexes hereto, together with the following the

(a) The Request for Eroposal issued by the UN and dated 9 occobes 1989 under reference "Request for Proposal for Provision of Independent Agents in International Authentication of Goods/AX", as modified or supplemented by

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LETTER DATED & AGGGST 1996 FROM THE CHAIRMAN COUNCIL COMMITTER RETAILSHED BY REGALITION CONCENSION OF THE STREET INAM AND MAY TO THE PARABILISM OF THE SECURITY OF

on behalf of the decutky Council Committee setablished 641 (1990) concerning the altustion between Iraq and Kummitte to communicate to you the following:

Security Council Resolutions 966 (1995), 1111 (1997), 1141 (1997), 11151 (1998), and 1175 (1998) or such Resolutions and percentical cor supplemented after the date hereof, herelutions"), herelutions"), herelutions"),

Memorandum of Underweighnish between the overcentit of the Mised Nations and the Covering Countlings of the Coveragion of Security Countlingsolution 56 (1999) of (hershafter effected to as the 'MOU');

Annex III:

Annex IV:

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the answers to queries dated 20 October 1999, (hereinafter referred to as the "RFP"); and

(b) The Contractor's Proposal dated 2 November 1999, as "Owiting or supplement Littled "Ownsteen or supplement by the Proposal or Personnel/Procedures "Concerns's Possitions (Selsing Calver III) pages an unbered I through 11), (hereinafter referred to as the "Proposal").

1.2 The following Annexes shall form an integral part of this Contract:

UN General Conditions of Contract;

Annex II: Annex I:

Security Council

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CRIGINAL: ENGLISH

8/1996/616\* 12 August 1996

The Projectures to be Employed by the Security Concoil Containing Machines Established by Resolution 654 (1990) Concerning the Struction between first wind forwart in the Discharge of Its Resolution Structure of Security Execution 11 security Programmer of Machines 1986 (1995) (as Wipplemented after the deadline of the Security Execution 11 security Execution 11 security for the Security Machine 11 security 11

1.3 In the case of any inconsistency among the documents constituting this Contract, the following order of priority shall

(a) this document and Annexes I - VII hereto;

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Form of Performance Bond/Guarantee.

Annex VII:

Transportation Release Form; Medical Release Form; 96-20488 (E) 130896 130896

. Relatued for technical reasons.

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SECTION 1

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the transaction does not arceed the Limits secablished by resolution 596 (195), including the requirements set out in paragraph 6 of the resolution.

10. If the contract and supporting documents reviewed under paragraph 8 above are facilities found to be in the colored to an admitter, shall necessary, so making of the boundaries, shall purchases for the another than the purchases of the same shall be indeed lamediately upon rejection of any contract by a configuration. The indeed lamediately upon rejection of any contract by a configuration of the same of the contract by a configuration of the same of the 
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the light of this report, any document submitted as part of an application to the Committee will be available for consultation by Committee embars in the Secretariat.

In accordance with pareparagh 1 or ensuring the provise of resolution 451 (1990) and the provise of resolution 455 (1990) and the professed of resolution 455 (1990) askipants of Ireq is nearly masking, and the second of the provise of the second of the s . 10

The Committee will be informed of the appointments of the indep-imperation against ande by the Seamstary-Genaral under paregraph resolution 946 (1995). č.

Lindependent impaction agains shall report weally to the Committee, sught the corrector of Shiff seasoners of the agast operations of Leading of oil sughs a specific is complete, they shall inform the resers on the degiting for desperation with the original approved transfer. 78.

be decretary-desert forwards to the Committee and to the Iraq statements of the Iraq account, including outlines of uture payments to and from that account. month of each purchase of percoleum and parcoleum Finto the Iraq account as provided for in solution 986 (1988). .81

Sime for the sale of patroless products will be broadly similar to seriabed above, and the precise arrangements, consistent with any of a fresolution 986 (1995), can be alshorated at a later stage, when the need arises.

The overseers will receive monthly reports from fown on the actual volume aske to converge the relation and petroleum products exported under the relevant

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At a mesting, the Committee may provide additional quidance to be followed by the overseers.

24. If any Committee member judges the circumstances to be serious enough, that seemeds may still for a rayes by the Committee of the system for approving coll Controls established in this section. As an urgent sesting, the Committee with section, the number of section continues or review system. In the seatches, descious on oil contracts on only be made in accordance with paragraph 11 above.

SECTION 11

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BECTION III

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of Ireq or the United Nations Inter-Agency Numenitazian Conditate directly with suppliers to arrange the parchase of Mylies, and will consiste the appropriate contractual After apportung the imperious plan, the Secretary-General will forward to life, which generally a part of the plan, to the Committee, and will make it together will federa. 99

Type's of Treq of medicine, bealth supplies, foodstuffs, and exterials and Supplies for essential civilian beeds (sersinater bussmittaries supplies) idaged from the Ireq account shall be undertaken in accordance with the following provisions.

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including the concluded contextual arrangements. Payment from the freq account can take place only for less included in the categorised list, uniess the Committee exceptionally decides otherwise on a case-by-case beats.

reconstret with task action on each applications is accordance with personnel of seasolution 687 (1991), its existing procedures and the personnel of seasolution 687 (1991), its existing procedures and the large, the sequenting series, the secretary-density and it appropriate, the its expecting series, the secretary-density and it appropriate, the degree of the existing series of the exi ä

32. Such applications shall be submitted as follows:

(a) Medicines and Mealth Supplies

the exporting State informs the Committee that the supplier payment from the Trang scenar. A copy of the relavants digminologists from the Trangements and inframe notivities into Iraq, must be attached to this committeitie. (b) Foodstuffs

The reporting faces incities the Committee. The Setification must indicate the the teachers request reporting promote the light scenarior. A copy of the relevant documentation, including the concluded contentual. As transposent and intended point(s) of entry into Ires, must be extended to the Continuous contentual of the Contentual contentual of the Contentual 
The expecting States seguing as upplication for approval to the condition modern to the condition of the con

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The Committee acts upon the findings of the experts as set forth below:

not found in creat. The Committee informs the parties concerned that papers cannot be sade from the free account, but the medicines and health supplies can be shipped anyet if the suppries so desires.

(b) Possderuffs

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(c) Other Materials and Supplies for Essential Civilian Meeds

which is consistent approves the supplies, under trapposable-bridge procedure of the consistent and the consistent approves the consistent and the consistent and the parties consistent and the manual consistent and the con

33. When the Committee has infinished the parties concerned that the apporter is eligible for payent from \$451.794 seconds, the central hand of Ireq will exequent the hand helique the Ningeleccourt to open an intercentain, the confidence of the confidence of the first of confidence of the first of confidence of the first of the hand the first of confidence of conf

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The provisions of this section are without profittion to the application of the emisting procedures of the Committee for goods which are not supplied pressuat to resolution 986 (1995). 3

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SECTION VI

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Please find attached a copy of the contract, draft irrevocable letter of ormelt to be opened and all supporting documents. ble letter of credit, etc.)

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Passenger

GENERAL RELEASE FROM LIABILITY ON ACCOUNT OF USE OF UN-PROVIDED TRANSPORT AMMEK V

I, the undersigned, hereby recognize that all my travel on the Uhr-provided transport, pursuant to Contract No. PO/CON/32/98 between the United Mations and Corean Inspection S.A., is solally for my one convenience and men

(a) Assume all risks and liabilities during such travely

(b) Recognize that neither the United Nations nor any of its officials, espanyes or agents are limited for loss and the many. Including the during such travel;

(c) Agree, for myself as well as and estate, to hold harmless the Up officials, employees and agents account of any such loss, damage,

Nothing in or relating to the waiver, express or implied, post immunities of the United Waitings or organs.

Date

 As provided for in paregraph 2 of Anner II of the Nesotandum of Undertending became the Secretaries of the United Nations in the Covernment. or I req on the Laplasentation of Security Conneil resolution 986 [1959], supered on 30 MA 1996, the following classes will have to be inserted in each latter of credit: Information to be included in the letter of stealt Annak II

8/1996/636 English Page 12

". All charges within Ireq are for the beneficiary's account, whereas all charges outside Ireq are to be borne by the parchaser." 2. Other information to be included:

:- Provided all terms and conditions of this letter of credit are compiled with processed of this later of credit will be irrescuebly paid and the 'freq Account' with ... Manh.'

forecast quantity of petroleus or petrolesis product ature of the petroleum or petroleum product date of loading

unit price forecast amount of the transaction

GENERAL RELEASE FROM LIABILITY ON ACCOUNT OF PROVISION BY UN OF EMERGENCY MEDICAL CARE

I, the undersigned, hereby recognize that all emergency medical care provided to me to Windiotal facilities, pursuant to Contract No. PD/CON/324/98 between the United Netions and Coterna Inspection S.A., is solely for my own convenience and benefit and may take place in areas or under conditions of special tisk. If consideration of receiving such medical care, I hereby:

(a) Assume all risks and liabilities in connection with the provision of such medical care;

(b) Recognize that neither the United Nationary of the 2 officials, employees or agents are liable for any loss demage. Injury or death that may be sustained by a during provision of such makes and so the sustained by the provision of such makes the suppose of the process of myself as well as for my dependence, helter officials, employees and agents from any facton and all its officials, employees and agents from any claim or action on account of any such loss, damage, injury or death.

Nothing in or relating to this Release shall be deemed a walver, express or implied, or any of the privileges and immulties of the United Nations, including its subsidiary crgans.

Employee

Date

E. 1 23 BAN 18:00 FAL 1 212 663 8805

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FORM OF PERFORMANCE BOND

Know all nen by these presents, that we, ....... 6 company incorporated in and under the larve of ......... the principal shareholders of which len ..........

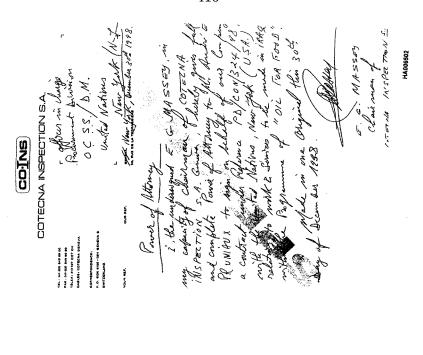
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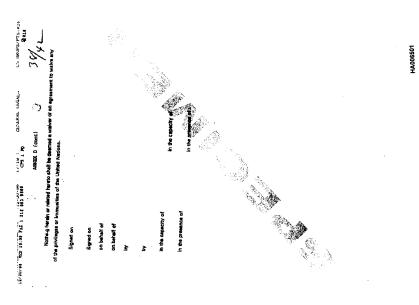
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(b) the RFP; and (c) the Proposal.

1.4 It is expressly agreed that this Contract embodies the entire empergement of the Parties staff regard or the subject matter hereof, and that no promises, understandings, obligations or greemently, and and or othersise, exist between the Parties except as herean expressly set forth.

### Article 2. Term of Contract

This Contract shall be in force for an initial term of six (6) months, from I february 1999, furthough 31 July 1999, unitess satilat terminated in accordance with the terms of this Contract.

Shall be seen termine and the set upperformer to extend find actions on the seen termine and instant upper to extend find actions a period of six (6) months setch of of such shorter duration as the UN may in it so set distrection determine, by giving the contractor written notice of its intention to do so include the stan fifteen (15) days pirot to the septration of the them outrent care of the Contract provided, however, that any setention set this Contract after the first such extension of the them of this John Renaision of this contract provided, however, that any setention of this action to the contract provided by the Contractor of the contract provided the Contractor of the them contract provided to reflect any increase or decrease in the contractor's costs.

## Article 3. Oblective of Contract

The Resolutions' direct the Security Council Committee setablished by Wife Security Council Resolution 661 (1990) (Hereinatter Ariestopies of Security Council Resolution 661 (1990) (Hereinatter Ariestopies of Security Council Resolution 661 (1990) (Hereinatter Resolution 661 (1990)) parts, and taken many council to the percolaum industry (such supplies and parts, and parts, and parts) and parts, and parts of the percolaum industry (such supplies and parts). Under this Council to the Contractor will provide all services, equipment and services, to the Contractor of the the description, volume the Council to the Council of the Services and (11) that the description, volume to the Amport of Supplies (Deschafter Referred to as "Ancillary to the Amport of Supplies (Deschafter Federed to as "Ancillary Services") are performed in accordance with the requirements servablished by the Committee and (11) that services to as a council and (11) that the description as the "Services" are performed in a coperior of as a the "Services".

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## RESPONSIBILITIES OF THE CONTRACTOR

Article 4. Scope of Work: Representations

# 4.1 The Contractor undertakes to provide independent inspection against and related personnel (hereinfairer referred to as the "Agents") as required to perform the Services. The Contractor has been the Services on a 24-hour, 7-day per week basis and in accordance with the appecifications and procedures set forth in the RPP and the Proposal.

Agents to be comprised with the control of sixty-three (6) Agents to be comprised of fifty-three (6) altegrates in an additional cost to the UN. six (6) altegrates inapperent and squences one (1) channist, all of whom shall be posted as integrates in fall altegrates inapperent of the University of the Control of the University of the Control of the University of the Control of the Control of the University of the Control of the Control of the Control of the University of the Control of the University of the Control o

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4.5 The Agencs will immediately report all irregularities to the UN Secretary-General and the Constitues. The case of supports other case of supports other case of supports other case of supports other than those in connection with the united Mations Inter-Agency Humanitestan Frogramme, if the problem is related to normal commercial practice [6.9, some shortlanded goods), the constitue and the Government of Integrals in Internal Section For the Constituent of Internal Section Secti

4.6 The Contractor shall also be responsible for operating the convoy control system at the Zakho/Faida border agossing, including without limitation, preparing convoy lists, Schlägsting passports, and providing such documents to the released; authorities.

and providing such comments of the resemble designments are necessary accordances to the resemble designments to entractor shall be supported to following all necessary accordances with the highest professional standards.

Contract in economics with the highest professional standards.

4.8 In performing their obligations under this contract, the contractor and tis personnal shall comply with all relevant aspects of applicable UM documents shall comply with all relevant aspects of applicable UM documents shall comply with all relevant aspects of applicable UM documents shall comply with all relevant aspects of applicable UM documents shall procedures, including without limitation, the Resolutions-With Sproved by the Tocondures, any other procedures and definitions and definitions and definition of the Contractor in the performing the sevices other than as expressly sat forth herein and (11) and makes other than as expressly sat forth herein and (11) and

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Contract, including without infautation the establishment or new distry stations, in which event the number of Agents shall stiff assert or decreased, as may be reasonably necessary in the UNY sole distriction, in accordance with Article (12 hereof. In the even such a needification in the Contractor's seponsiabilities shall reasonably cause the Contractor's expenses (other than those included in the Contractor's expenses (other than those included in the cost per many/day set (off) in the Proposal) to corresponding change to the contract price payable to the contract of the contract price payable to the

4.11 The Contractor shall supply all equipment, materials, and facilities ancessary to perform the Services, including without limitation all equipment for taking and accing'samples, all vehicles of the task of the Agents, all equipment for transmitting augment of the form and other 'specifies and transfer that Contracts on officer and other 'specifies, and a factor of as forth in the Proposal. The contractions and withing the Contracts in apparent and epiders supplied and contract and in the officer supplied and contract and the contract in a period of the Agent of the Management of the Agent of the Management and the Agent of the Management of the Agent of the Management of the Agent of the Management o

(a) Each ducy station shall be equipped with at least three (b) desktop for 5° (with additional Forts as work volume may require) one [1] server with minimum Pantium II, with 128 HB RM tunning at 331 Mar. With three (1) 9.16 Hard disk disves and one [1] DAT 12/27 69-5031 DOS) and Routers to facilitate date transmissibles. Each server and Fortilizate of the contractor shall cream a "Appliant for server and population to record without servicity she server and population to record submitted that the farmant than directly to the UN Notes servicities the integrity of all authentication date is minimum for the contractor shall be responsible for servicity and the integrity of all authentication date is the contractor shall be responsible for servicing the contractor shall be espinished with UPS (FRIGHT CONTRACTOR SHALL) and duty station shall be equipped with UPS (FRIGHT CONTRACTOR SHALL) and the station william docat power the antire minimum and the level of the servicion with a dequate capacity to power the antire station.

the Parties' mutual agreement to an tment to the contract price and an amendment to effect such price adjustment, each duty ) Subject to propriate adjustm this Contract t

castion and all be equipped with either a V-SAT terminal (earth attain) or HWANSATB & capable of transmitting at a minimum of Rops) at least one (1) HMN W (finanzas) or better depuipment with a superior far manimum capable of transmitting data as a back-up to the V-SAT or NEWASATB a.

4.12 The Contractor shall safeguard the security of all documents, repulment, meeticals, and defailties used in connection with the performance of this Contract, including without limitation through the measures set forth in the Proposal.

## Artigle 5. Contractor's Personnel

5.1 No person shall be assigned by the Contraction to perform the Services under this Contract unless the british Markingh as approved in advance the Services under this Contract unless the british Markingh Sithout Initiating the UN's inthis of sporval under Markingh Sithout Initiating the UN's inthis of shapers under Markingh Sithout Dentity Markinghar to the shapers as a stay-three (5) Aganting selected by the Contractor who are precised by the Contractor who are precised to serve as replacement of any personnel of the Contractor assigned to person on selections and the stay that the selected to a serve as replacement of any personnel of the Contractor assigned to person for a subject to the UN, principally as well as the Markingh Sithout of this Contractor and the any personnel shall not be demanded a termination of this Contractor. Described to the Contractor of this Contractor.

5.3 The Contractor shall not be demanded to this Contractor. And subcractor of the Contractor stay and subcractor and services paginged by the miner of this Contractor.

6.3 The Contractor shall not be demanded a termination of this Contractor. Indiff. The seconds is served and entitied of the Administration of the Contractor and entitied and entitled as a contractor of the Markingh Services and subcractor. And subcractor and services by Markingh Services under this Contractor shall ensure the local customs which are not contractor and entities and subcractive and subcractive and submitted the Services and subcractor shall ensure that all personnal which are not contractor and shall ensure that all personnal used to perform the Services under this Contractor shall ensure that the personnal and entities and subcractive and subcractive and subcractive and subcractive and submitted to the Service and subcractive and submitted the subcractive of the Service and subcractive and submitted to the Service and subcractor and submitted to the Service of Service and submitted tof the Service of Service of Service of Service of Service of Serv

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5.5 The UN shall not be liable for any action, omission, servants, or sub-contractors of the Contractor's appless, searchaste, or sub-contractors, nor for any insurance coverage which may be necessary or destructs for the unprose of this Contract, nor for any costs, expenses, or claims associated with any liless, injury, death, or disability of the Contractor's employees, agents, searches, or estimate, or estimate, or estimate with any liless, and the contractor's employees, agents, stands, or awb-contractors performing Services in connection with this contract.

5.6 The Contractor shall ensure that the Agents are at their stations and resploy comemice performence of the Services, in secondance with the RFP and the Proposal, on i Perpassy 1999. The duty stations shall be staffed as specified a Agents wife the Proposal, and the Agents shall carry out that weight, secondance with a shift structure acceptable to the NM. The Conference of the employ the management structure set forth incomparity for contract the station of a station of a station of a station of a station of the country stations to which the Agents are assigned to a conductional country stations to which the Agents are assigned to a conductional country of Agents assigned to Section 1990 the country of the Agents assigned to the Agents are assigned to a conductional out the Manas faciled as I than Section 1991 at all thems include as Least on (1) information recombing the conduction shall at all thems a faciled as a Least on (1) information recombined to the Conference of the Conferen

5.7 It is understood and screed that the Agents performing the Everyees, whose names willing communicated to the Government of Iraq pursuant to Section Willing Conflicts the NOW, shall be deemed "superity within the meaning of Reflecte vio of the Convention on the Privileges and Immysticies of the United Nations, and shall enjoy all of the privileges and immysticies of the United Nations, and shall enjoy all of the privilege.

The jointeets shall submit to the Committee, the UN secretary many states, and the United Maxima Office of the Hungaritan processing the United States of the Committee of the Conference of the Conference of the Conference of the Conference of States of the Conference of States of the Conference of the Conference of States of the Conference of the Confe

PRICE AND PAYMENT

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1.1 In full payment for the complete and satisfactory performance by the Contractor of all its obligations under this Contract. The UN Mill pay the Contractor of a pitce nor to exceed a total of 0.3. Dollars Four Million Eight Mindred Seventy-Seven Thousand Pro Mindred Teachy-Seven Thousand Pro Hundred Teachy-Teachy-Seven Thousand Pro Hundred Teachy-T

7.2 Payments under this Contract shift. We made only against receips of the Contractor's wither involves and certification by the life of the Contractor's and certification by the life invoices that is assisted to the contractor's and is about its invoices, together with such supporting documentation as the UN may require to enable payment, or the Office of the Ireq Programme, United Nations, New York, NY 10017, Attn: Sanior Customs Officer, with a copy to the Forceigent Office, All Invoices and I make reference to the Annual Payment, or the Office of the Ireq Not Sanior Customs Officer, with the Contractor of the Ireq Manual Payment, or the Contractor of the Office of the Ireq Manual Payment, or the Office of the Ireq Manual Payment of the Office of the Ireq Manual Payment of the Office of the Ireq Manual Payment of Contractor of

NASPONSIBILITIES OF THE UN Arrigie 8. Identification Cards

The UN shall provide the Contractor's personnel with appropriate identification cards.

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J. Without Limiting the Contractor's obligation under this Contract to provide all transported by, the United Mattern agrees contract to provide a present of the manufacture of persons of the new expeditional bases and on the extent parcellable of persons in the provided transport to, in, and from Ireq attictuit for the following purposes:

(a) evacuation due to security developments, on the understanding that such evacuation shall be to the nearest such a zea, and

(b) medical evacuation due to serious medical conditions, provided that emergency medical accusation of the Contractor's personnel will be from in-country sites to inc. in-country medical facility or transportation out design on cover-or-country medical facility in an appropriate medical facility or facility in an appropriate medical facility in an appropriate med

9.2 In consideration of the Contractor's paraphase being permitted to travel on Whorovided transpers, each of the personnel shall be sign a release from liability in the form presents in a horizon of their transpers of any One-provided transportation. The contractor undertakes to obtain the fighed release from each such person and to deliver the signed or larged release from each such person is initial use of any Whepcoyded transportation.

9.3 Mithout limiting the Confidencer's obligation under this contractor to provide all mediging services, the event that the Contractor's personnel's gridged, the event that the operate and mediging and services, the the event that the Wagness, on a scangeford! basis and to the event prescribed, to allow such personnel, decapital basis and to the extent prescribed. The consideration of Wight Contractor's personnel basing parallel to utilize such une medical facilities, and prior to their using any such une medical facilities, and prior to their using any such une medical facilities, and prior to their using any such une medical facilities, and so the facilities and the such that signed release to me and a sign of the such that signed citization to contractor and statistics, and the signed citization to contractor's personnel under the Nation of many was a citized and spans that the Marketing of many many have against the Marketing of many many have against the Wall to deficially, exployed to a spense attaining in connection with the provision of such incurred by it in connection with this Article 9 and to indemnify and incurred by it in connection with this Article 9 and to indemnify

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and hold harmless the UN and its officials, employees, and agents for any claim or liability of any nature arising in connection with this Article 9.

### H. MISCELLANEOUS MATTERS

### Contractor's Obligations Upon Expiration Article 10. Terrination

Upon expiration or termination of this Contracty, the Contractor shall have immediate steps to terminate its operations in a prompt and orderly manner and shall provide such information and the such macrons are new for reasonably proqueted by the contract in the preservation and protection of (4) the accounty performed by the contractor and the results the services already performed by the contractor and the results the services already performed by the contractor and the results there is no facility and property of the Uprovided to the Contractor and

## Article 11. Lisison and Inspection

11.1 The UN reserves the right to inspect and test all Services performed by the Contractor under this Contract. To the extent operationals, at all reasonable places and times during the term of this Contract. The UN shall perform the performed the service and the thin the Unity binder the performed the Services by the Contractor. The Contractor shall cooperate with all hisportions and tests.

11.2 If any work or gervices performed by the Contractor do not conform with the regularments of this Contract, the UN shall have the following optibility

(a) If the UN different that the improper performance can be strengther way of ex-experientance or other contentive ansures by the foreign way of experientation of the content of the con

(b) If the Contractor does not promptly take contractive measures or if the UN reasonably determines that the Contractor is unable to remedy the improper parformance in a timely manner, the UN may obtain the assistance of other

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entities or persons and have corrective measures taken at expense of the Contractor.

(c) If the UN determines that the improper parformance common be remediated by respectionance or other corrective measures by the Contractor, the UN may terminate the Contract in accordance with Article 15 of the UN demaral Conditions of Contract (Annex I) without pesiudice to any of its other rights and remedias under this Contract.

# Article 12. Termination at Hill: Force Maleure and Other Special Circumstances

12.1 In addition to the termination rights provided in Article 13 of the Wisewest Continuous of Content Annaeship, the Wisewest Continuous of Content Annaeship, the Wisewest Continuous of Content Annaeship, the Wisewest Content Co

12.2 In the event the UNiversity at the Contract pursuant to Article 121 here provides actions of the Milital sin (6)and then of this Contract provides which as the Contract of the Article 121 here are required to the Contract of the Article 122 here are required to the Contract of the Article 122 here are required to the Contract of the Contract

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12.4 Mithout limiting any of the UN's other rights under this content. In the event that circumstance, whether or not constituting force majeure, shall render it impossible for the Contractor to perform the Services as contended for this content, the Contractor thail comply with any contingency plans designed by the UN to ensure continued partformance of the Services.

# Article 13. Customs Clearance, Licenses, Etc.

The Contractor shall be responsible for customs clearance and obtaining all licenses, permits, says autoristations from queramental or other stationists in reseasany for the performance of optocommental authoristations from the last contractor, by listing as appropriate automatic authorists of contractor, by listing as appropriate automatic authorists. On the last for the contractor, and authorists and authorists of clearing through an entropy and authorists and authorists with the with the performance of the contractor with a documentally appropriate and the last contractor with a documentally applications and the last contract of the Agents. If any listing documental in a contract of the Agents. If any listing documental in a contract of the Agents. If any listing to contract of the Agents. If any listing documental in the contractor will addition to the contractor will addition to the contractor in obtaining such documents.

### Article 14. Rerformance Bond.

Within fifteen (15) days of signature of this Contract by the Parties, the Contragator, shall provide the UN with a performance bond in the Contract, shall be provided the UN with a performance bond in the form; signature, the same of U.S. Dollars Two Hundred Engage Three Thousand Eight Hundred Sixty-One Hundred Eight Mundred Sixty-One Hussia, and Eight Hundred Sixty-One 1052(1) agi, QQU (i.e., tive percent (5)) of the maximum amount payable Engelfied in Article 7.1 above, which bond or quarantee spatial the settled to Claim the engage of Conference in the least two (2) months after the engage bond quarantee woon the first witten demand of the UN participate bond our percent in the terms and conditions are forth in Annex VII.

Accept as otherwise specified in this Contract or instructed the UN, all notices and other communications required or A

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Title: OFFICER-IN- CHARGE Name: SANJAYA BAHEL MOISIVIG Date: 11 DECEMB Title: SENIOR VICE-PRESIDENT Date: 31 DECEMBER 1998

If to the UN (communications/notices of a confractual nature):
Procurement Division
Third Nation
304 East 45th Street
U.S. A. NY 10017

Procurement Division United Nations 304 East 45th Street New York, NY 10017 U.S.A. Attn: Chief Fax No.: 212-963-6315.

Cotecna Inspection S.A. 1911 Geneva da Terrassière 1211 Geneva 6 Switzerland Attn: Chairman Fax No.: 41-22-649-69-89

If to the Contractor:

If to the UN communications/notices of an operational nature):

Customs Officer -963-8083

COTECNA MISPECTION S.A.

contemplated under this Contemplate in writing and shall be delivered either by: (1) personal delivery; (11) recognised overnight delivery; (13) recognised overnight delivery; (14) personal delivery; (13) receptor requested, certified mail; (14) confirmed feccimile transmission or (1) telegram addresses and addresses as the intended at the previously shall have designated by written notice given pursuant to this Contest.

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FOR THE UNITED NATIONS

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Notice 19 of Injury mail or recognized ocentrists cellulary services about the date at is officially recorded as deligible to refereive on the date at is officially recorded as deligible to or refused by the intended recipient by return sergigies or contemplated by this Contract deliveraced in person, by facilities or by relagions shall be deemed to have been delivered to and secented by the addressee and shall be effective on the date of actual recapts. IN WITHESS WHEREOF, the Parties have executed this Contract.

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DAKE I

ANDREA A

UNITED NATIONS GENERAL CONDITIONS
OF CONTRACT

ANDEX I

1.0 LEGAL STATUS: The Contractor shall be considered as having the legal satists of in independent contractor (staze) the United Nations. The Contractor's successful shall not be considered in any respect as being the employees or agents of the United Nations.

2.0 SOURCE OF INSTRUCTIONS: The Contractor shall neither seek nor accept instructions from any authority external to the United Nations in connection with the performance of its services undergible Contract in Contractor shall refrain from any action vinion may apply affect the United Nations and shall full its commitments with the fullest regard in interests of the United Nations.

OCNTRACTORS RESPONSIBILITY FOR EMPLOYEES. The Contractor shall be reportable for the professional and technical completions of its employees and will select for work under this Contract, reliable individuals who will perform effectively, the implementation of this Contract, respect the local customs, and configure in high standard of moral and ethical confluct.

4.0 ASSIGNMENT: The Contractor shall not assign, transfer, pledge or other dispetation of this Contract or any part thereof, or any of the Contract group, deline or obligations under this Contract except the pine.

5.0 SUB-CONTRACTING: In the event the Contractor requires the services of sub-contractors, the Contractor shall obtain the prior written approval and

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clearance of the United Nations for all sub-contractors. The approval of the United Nations of a sub-contractor shall not felieve the Contractor of any of its obligations under this Contract. The terms of any sub-contract shall be subject to and conform with the provisions of this Contract.

- 6.0 OFFICIALS NOT TO BENEFIT: The Contractor warrants that no official of the United Nation has recoved or will be offered by the Contractor any direct or indirect benefit arising from his Contract or the award referent. The Contractor agrees the Dreach of this provision is a breach of an essential term of this Contract.
- 10 INDENNIFICATION: The Contractor shall indemnify, hold style skeve harmless, and defend, at its own expense, the Underly shidting, its officials, agents, servant and enroll-yees from and against stiffs; faint denands, and labelity of any nature or find, backlidge freir coasts and enroll-yees from and organization and expenses, arising out of each ornisations of the Econtractor, or the Contractor's employees, officers, agents or stage-contractors, in the positionance of this Contractor hall extend, little zilla, to claims and labelity in the nature of workings's compensation, products, liability and labelity and insellectual property by the Contractor, its employees, officers, agents, servants or sub-contractors. The obligations under this Article do not lapse upon termination of this Contract.
- 8.0 INSURANCE AND LABILITIES TO THIRD PARTIES
  8.1 The Contractor ability-provide and thereafter maintain insurance against all risks in regigate of the property and any equipment used for the execution of this Contract.
- 8.2 The Configuration shall provide and theneafter maintain all appropriate vivorance? Compensation insurance, or its equivalent, with respect to its enzigivees to cover claims for personal injury or death in connection with the Contract.
- 8.3 The Contractor shall also provide and thereafter maintain liability insurance in an adequate amount to cover third party claims for death or bodily injury,

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or loss of or damage to property, arising from or in connection with the provision of services under this Contract or the operation of any vehicles, boats, airclanes or other equipment owned or leased by the Contractor or is agents, servants, employees or sub-contractors performing work or services in connection with this Contract.

- 8.4 Except for the workmen's compensation insurance, the insurance policies under this Article shall:
- (i) Name the United Nations as additional insured:
  (ii) include a waive of subrogation of the Contractor's tights to the insurance carrier against the United Nations:
  (ii) Provide that the United Nations shall receive thirty (3d) days written notice from the insurers prior to any cancellation or change o coverage.
  - 8.5 The Contractor shall, upon request, provide the United Nations with satisfactory evidence of the insurance required under this Article.
- BOCUMBRANCES/LENS: The Contractor shall not cause or permit any lien, attachment or other encounteriors per since passed on file or to remain on file in any public office or on file with the United Nations against any monites due or to peccopy due for any work done or materials furnished under this Contract or by reason of any other claim or demand against the Contractor?

10.0 TITLE TO EQUIPMENT. This to any equipment and supplies that may be furnished, the Unifold Melanos shall read with the Unifold Melanos and any such splingful shall be returned to the Unifold Melanos at the conclusion of the Configuration Such regulation. Such equipment of the When Configuration Such equipment when delivered to the Unifold Melanos, shall be in the same configuration. When delivered to the Configuration, subject to compare and the Configuration and selected to the Configuration and the Conf

11.0 COPYRIGHT, PATENTS AND OTHER PROPRIETARY RIGHTS: The United Nations shall be entitled to all intellectual property and other

proprietary rights including but not limited to patients, copyrights, and trademarks, with regard to produce, or documents and other materials which bear a direct relation to or are produced or prepared or collected in consequence or for in the course of the execution of this Contract. At the United Nations's request, the Contract state all necessary obsesses executed and reseasary documents and generally assist in securing such proprietary rights and transferring them to the United Nations in compliance with the requirements of the applicable law.

- USE OF NAME, EMBLEM OR OFFICIAL SEAL OF THE UNITED NATION: The Contractor thall not adventise on otherwise make, goallot the fact that it is a Contractor with the United Nations, nor split tip-Contractor in any manner whatsoever use the name, emblem or officialises of the United Nations or any abbreviation of the name of this United Nations in connection with its business or otherwise.
- 13.0 CONFIDENTIAL NATURE OF DOCUMENTS AND INFORMATION
  13.1 All maps, charings, produgatise, majesse, pidie, incommendations, estimates, documents, pidie, incommendations, estimates, documents and other data complied by or incommendations, restimates, documents and other data complied by or incommendations, restimates, documents and other the property of the United Nations, shall be teasted as confidential and shall be delivered only United Nations authorities directly for completion of work under this Contract.
- 13.2 The Contractor may Government or author known to it by feator not begogging put
- 14.0 FORCE MAJEURE; OTHER CHANGES IN CONDITIONS

14.1 In the event of and as soon as possible after the occurrence of any cause or smithling to the Contractor stating the right and full particulars in writing to the United Nations, of such occurrence or change if the Contractor is the steep to reduced unable, wholly or in part, to perform its obligations and meet its responsibilities under this Contract. The contractor statia also notly the United Nations of any other changes in conditions or the occurrence of any even which interferes or threaters to conditions to the occurrence of any even which interferes or threaters to rite calculations are also discretived. At considers the Contract or the occurrence of any even which interferes or threaters to the occurrence of any even which interferes or threaters to required under this Article, the United Nations shall take such action as, in or sol discretive, it considers to be appropriate or necessary in the circumstances, including the granting to the Contractor of a reasonable extension of time in which to perform its obligations under this Contract.

14.2 If the Contractor is rendered permanently unable, wholly, or in part, by reason of locaz malature to portion its obligations and insert the responsibilities under this Contract, the United Neidor's shall have the right responsibilities under this Contract, the United Neidor's shall shave the right resupport of reminate hist. Contract on the same farma and conditions as are provided for in Article 16. "Termination," except that the period of notice shall be seven (7) days instead of thirty (30) days.

14.3 Force majeure as used in this Article means acts of God, war (whether declared or not), invasion, revolution, insurection, or other acts of a simila nature or force.

14.4 Notwithstanding anything to the contrary in this Contract, the Contractor recognize their the work and services will be performed under harsh or height conditions caused by civil unrest. Consequently, clears of fallium to perform caused by events arising out of, or in coastagine with, such other unrest shall not, in and of itself, configure which such which contract.

y terminate this Contract for cause, in whole or in part, upon notice, in writing, to the other party. The initiation of arbitral accordance with Article 16 "Arbitration" below shall not be

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- 15.2 The United Nations may terminate forthwith this Contract at any time should the mandate or the funding of the Mission/Agency be curtailed or terminated, in which case the Contractor shall be reinforted by the United Nations for all reasonable costs incurred by the Contractor prior to receipt of the notice of termination.
  - 15.3 In the event of any termination by the United Nations under this Article, no. payment shall be due from the United Nations to the Contractor except for work and services satisfactority performed in conformity with the expressients of this Contract.
- 15.4 Should the Contractor be adjudged bankrupt, or be inquisated or become insolvent, or should the Contractor meta an assignmentifier the benefit of its creditors, or should a Receiver be appointed on account of the contractor, the United Nations may shirtly displace to any other dayld for a meady if may have under the tetrih of the acconditions, terminate this Contract forflwuth. The Contractor, shall immediately inform the UN of the account of the above oversity.

16.0 SETTLEMENT OF DISPUTES
16.1 Amelable Southennent
The Parties shall use their best efforts to settle amicably any disput
controversy or team antisting store (bits Controver or the breach, lean
or invalidity breach, Where the girdines wish to seek store an amica
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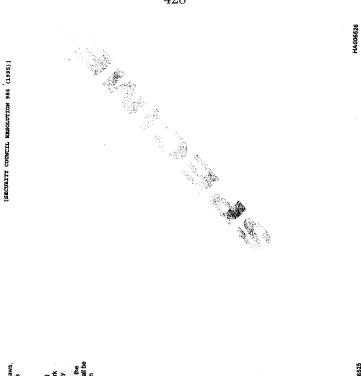
17.0 PRIVILEGES AND IMMUNITIES: Nothing in or relating to this Contract shall be deemed a waiver, express or implied, of any of the privileges and immunities of the United Nations, including its subsidiary organs.

1.3 EXEMPTION

8.1 Section 7 of the Convention on the Privileges and Immunities of the United Nations provides, Igitacilla, that the United Nations, including its subsidiary organs, is eventy from all direct taxes, except changes for public utility services, and is exempt from all direct taxes, except changes of a similary services, and is exempt from full end to the services and changes of a similar interue in respect of galdicies improved or serviced for the folicial use. In the event any governorificity althority refuses to exception the United Nations exemption from setch base duties or changes, the Contractor shall immediately configuration to determine a mutually acceptance (1970). 18.0

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19.0 OBSERVANCE OF THE LAW: The Contractor shall comply with all laws, ordinances, rules, and regulations bearing upon the performance of its obligations under the terms of this Contract.

ANDREX II

20.0 AUTHORITY TO MODIFY: Fursuant to the Financial Regulations and Rules of the United Nations, and the Procurement Division at New York possesses the authority to agree on behalf of the United Nations to any modification of or change in this Contract, to a wave of any of its provisions or to any additional contractural institutional or fail you will will be Contractor. Accordingly, no modification or change in this Contract stail of any of the Contract of

UNITED

Security Council

Distr. GEMERAL S/1996/636\* 12 August 1996

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On behalf of the Security Council Committee establishmenty remodulate 661 (1990) concerning the situation between Ireq and Ruckity Days to to communicate to you the following:

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The Secretariat of the Committee will set up a now felt line to be used medicalistly for correspondence with report of the pagingham and periodean products transactions. The actions of liperohese for the father of produces and information that the charge of the personnel Kission application for approvia, together with a spay of the contract and, if a series of the contract and, if the charge of the contract and, if the charge of the contract and, if the charge of the contract and if the charge of the contract and the contract and the formation of the present all the contract and the present all the charge of the charge of the charge of the present all the charge of ۲,

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ensure that all perturbes comply with the provisions of resolution 6 (1995) and to feet pixtus any attempt at franch or deception, the results of the contracts and supporting documents to

the force and the documents comply that experiments provided communities and the documents comply and the the state of endired Lincolnia for the state of endired Lincolnia for the state of endered Lincolnia for the proceeds of the letter of credit will be pell districtly to the serces constitution of the letter of credit for the letter of the serces constitution by the serces constitution of the letter of

the content price is fair in view of all relevant circumstances. In particular that it is considered with a currently approved pricing mechanism, and competitive given overly price and market tends to taking into consideration the provisions of paragraph 6 of amount 11 of the Memoranism of inderstanting.

the transaction does not succeed the limits established by resolution \$66 [1995], including the requirements set out in paragraph 6 of the resolution.

10. If the content and supported documents actuated under generated, between definition of the Committees, shall insidentially appropriate contents and distinct by fast the astronay of a particular of the Committees of the particular of the contents of the particular of the Paramaner Ministen concerned, as well as gain and the banks holding the free account. The Committee and the particular distinction of the particular of

11. Contracts for the sale of perceivan or perceivan profession maniput a picture and sentence and sentence profession profession with a perceivant by the oversety to the perceivant profession profession to constitution to the contract of ä

the light of this report, any document submitted as part of an application to the Committee will be available for consultation by Committee mambers in the Sectentiate.

11. The support of petroleum and petroleum produces will be monitored by United Institution Linguistics against, sponsor by the standing-formation in impaction inspiration by the standing-formation of the amendos sension at the Institutional Control and the Control and Control and Control and Control and Control and Linguistics and

in accordance with paragraph 1 of enclosing 64 1999 inches provided of resolution 64 1999 inches provided of resolution 64 1999 alternates of tred, oil make the paragraph oil · •

The Committee will be informed of the appointments of the independent inspection agents sade by the Secretary-General under paragraph 6 of resolution 986 (1995). 17.

The independent impaction agents shall report weakly to the Committee, through the reverseers or high, assessment of the agent operation. We the loading of all under a complete, the complete, they hall inform the necesser of the agents of the complete of the agents of the agent of 18.

Payment of the felth amount of each purchase of petroleum and patroleum products shall, be well into the Iraq account as provided for in paragraph (1) of Pesolution 986 (1995). 6

the destructury-denoral forwards to the Committee and to the if Itse statements of the Itse account, including outlines of Tuture payments to and from that account. ź

The product of the sale of personan products will be broadly similar to afforcine down, and the precise arrangements, consistent with agingup, 6 of resolution 956 (1985), can be alaborated at a later finger, and when the new arrives. 

The overseers will receive southly reports from 50MO on the actual volume and type of partoleum and patroleum products exported under the relevant sales contracts. ä

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At a meeting, the Committee may provide additional guidance to be followed by the overteers.

24. If any Committee member judges the circumstances to be sections enough, that severable may all for a rayle by the Committees of the system for approximation Committee will seekids, incertion, he in urgain seeking, incertion, of Committees wished, in this section. As an urgain seeking, incerting to its named proceedings, whether to continue or review the system. In the seasting, decidents on oil contracts can only be made in secondance with paragraph II above.

#### SECTION 11

Isbort by Ancher of principus and mercipus products arigin prevant to paracraph 2 of resolution 226 (1995)

15. The import by Tuthey of patroless and petroless pool and 6 of resolution 1881 (1982-1984) and the resulted as resonantly by the independent language for the

#### SECTION 111

The Government of Ireq vill progress a determined lies of humanitarism republies with it intends to the progressive and important to resolution 96 (1995). This list will be mightned to the Sorresty-Govern, together with the distribution, disperience to in paragraph 8 (s) (ii) of the resolution. 36.

After approving the continue plan, the secretary-denseal will forward the Lies, which committee, and will make it formations. It formations and will defense. 23. 38.

There is transfer and allow, beath supplies, fooderaffs, and meterials and register from the forester or supplies) (the sevential strikes need (herelanter immatterial supplies) (the sevent to be in the second shall be undertable in secondary with the following previous: of freq or the United Nations inter-Agency Evansitation contract directly with suppliers to arrange the purchase pplies, and will conclude the appropriate contractual

30.

Applications for each expect of hemaiterian supplies, to be financed from the first account consistent titl paragraph 20 of the Assemblates of the Odderfranding, shall be smaltted to the Committee at the request of the O

1636

including the concluded contractual arrangements. Payment from the iraq account can take place only for Items included in the categorized list, basis. 3). The comparture of the section on each applications in secretaries with paragraph 30 of resolution 687 (1981), its saisting procedures and the procedures and the procedures and the comparation of the comparation of the Government of Italy, the requesting Street, the Securities and it is proposedured to the comparation of the com

32. Such applications shall be subsitted as follows:

(a) Medicines and Health Supplies

The asporting State informs the Committee that the expecter requesing payment from the Iraq account. A copy of the relaxing degenerate including the contluded contractual arrangements and threshold publication. The committee is the committee of the committee incl.

(b) Poodstuffs

The apporting Sets notities be committee. The mailfaction must indicate that the apporting state indicate spense is provided being account. A copy of the relevant documentation, including the concluded contracted. A copy of the relavant documentation, including the concluded contracted. A copy of the relationship opinion of eary into Iraq, must be extended to the nextination.

and intended point(s) or easty into line, mast no attended to the motification.

(c) Other intentials and implice for Resemblat Civilian Needs the expecting State manifests an employed for approving Pressure and application and indicate that the under its acrospecting pressure an employer pressure and employer pressure and employer pressure and employer pressure and intended point(s) of the intention, that its and intended contractual arrangements and intended point(s) of the itself many trees, must be attached to the application.

13. Expert to the Secretarity enables and control. to particular to details of prior of the secretarity and whether the items to be apprehen an on the consideration and whether the items to be apprehen an on the case of the case in the consideration to the secretarity of the sec

34. The committee acts upon the findings of the experts as ser forth below:
(1) Modicines and Health Supplies

If the Committee finds, under its acquelited no-objection procedure within two beautases days from the tractition of the application, that the contract is in order; it immediately informs the parties concerned that is exporter is a sigilate for payment from the Iraq account. If the contract is

:

not found in order, the Committee informs the parties conserned that payment cannot be added from the first account, but the medicines and health supplies on he shipped anyway if the exporter to desires.

(b) Toodstuffs

If the Committees differ, under the supplicited no-objection proceedure within bonsteas days from the discussion of the application, that the context is in order. It immediately inform the parties concurred that the context is all thinks for papers. Then the from sconer is all thinks for papers. Then the from some context is not found in other, the mediates hitmen the parties concerned the major thanks from the from the parties concerned the major thanks from the from the parties of the parties o

(c) Other Materials and Supplies for Essential Civilian Manda

this committee approve the supplies, under its projection proceeders than a former data and a failure the parties concerned it the approve due therefore the slighth for payment from the first account, if the failure the bomattees a performent in the formet from the first approve that the supplies the no-objection proceeding, it is also from the first agreement the parties concerned the proceeding and on the payment from the first failure the payment of the the supplies size approve and on a parties concerned that the supplies size approved and on the shaped anyway if the suppries so delicate, if the Committee cannot approve the spatial operaties concerned that the supplies cannot be parties concerned that the supplies cannot be subpaired.

15. Then the Committee has indused the parties concerned that the suporter is eligible for payment (from [61 inject seconds, or content has helding) the figurescent, to define a light of frequilities the request to make helding the figurescent to open an intersectable.

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16. The section of the beneatlestine upplies in fine of the beneatlest by present to resolution by the sections of transfer extent operation operated by the sections of transfer extra constitution in the sections of transfer extra points and other locations in large as referred to in paragraph 26 of the Memoradum of Orderstanding. The independent impraction spents with section of the transfer of the paragraph 26 of the Memoradum of Constitution of serior; in a copy of the Orderstanding of serior; in a copy of the Orderstanding of the Constitution of serior; in a copy of the Orderstanding of Orderstanding Orderstanding of Orderstanding of Orderstanding Orderstanding of Orderstanding of Orderst

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8/1996/636 English Page 10

3). The amport to long of the jures self-deturner which are sessed as and experience of the jures self-deturner. In justice or the most till to proper present procedures. Personal procedures to find will be approved to Committee on a capital procedure and the tendent procedure for Committee on a capital control by the committee on a capital control by the committee on a capital control by the committee of the capital control of the present in lang of the committee of the capital control of the present in lang of the capital control of the present of the capital control of the capital contro

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37.

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Annex 11

As provided for in paragraph 2 of Annar II of the Mesorandum of overcomen discretatedading between the Secretarist of the Oblitical Annars and the Social of Iraq on the Lapiamentation of Security Council resolution 896 (1995), sign on Dear 1986, the following clauses will have to be inserted in each letter credit:

\*\* Provided all trans and conditions of this latter of credit are compiled with processes of this latter of credit will be irrevocably paid into the 'Ireq Account' with ... Bank'

-. All charges within Ires are for the beneficiary's edec charges outside Iras are to be borne by the physiological

" forecast quantity of petroleum or priroleis pro-. nature of the petroleum or petroleum product

2. Other information to be included:

- unit price - forecast amount of the transaction

- date of leading

:

HA006542

s/1996/636 English Page 11

Annex 1

Standard application form to request approval of contracts for sale of track petroleum and/or petrolaum products

dams of purchasing entity: Place of registrations

Address: Contact person:

Quantity of crude pets Quality of grude pet

GENERAL RELEASE FROM LIABILLITY ON ACCOUNT OF PROVISION BY UN OF EMERGENCY MEDICAL CARE

I, the undersigned, hereby recognize that all emergency medical care provided to make 40 Medical facilities, pursuant to contact No. PD/COM/34/99 between the United Nations and Coterna Inspection S.A., is solely for my one convenience and benefit and, may take place in areas of under conditions of special risk. To consideration of receiving such medical care, I hereby:

(a) Assume all risks and liabilities in connection with the provision of such medical care;

(b) Recognize that neither the United National Angle any of its officials, employees or agents are labelled on the law dange, injury or death that may be sustained by me during the provision of such medical care;

(c) Agree, for myself as well as for any dependents, heirs and estates, to hold harmless the inflitting partitions and all its officials, employees and agents ficiging and claim to action on account of any such loss, damage, injury or death.

Nothing in or relating to, this Release shall be deemed a paivor, express or implied, of any of the privileges and immunities of the United Nations, including its subsidiary organs.

Date

Employee

HA006544

I, the undersigned, hereby recognize that all my travel on the UN-provided transport, parsants to Contract No-pD/COM/324/98 between the United Nations and Cotenen Inspection S.A., is solely for my own convenience and benefit and may take place in areas or: under conditions of special risk. In consideration of being permitted to travel on such means of transport, I hereby:

GENERAL RELEASE FROM LIABILITY ON ACCOUNT OF USE OF UN-PROVIDED TRANSPORT.

(b) Recognize that neither the United Metigns nor any of a fact officials, employees or agents are liable for gray loss, danage, Lilais, or death that may be susgained by me during such travel; (a) Assume all risks and liabilities during such travels

(c) Agree, for myself as well as forthy dependents, heirs and esters to hold harmless the Affigural stations and all its officeals, employees and agents fifth the Africals, and action on account of any such loss, damage,

Nothing in or relating to the Relates shall be deemed a manuer, especial or implied, of the privileges and immunities of the United Netigas, including its subsidiary organs.

Passenger

Date

AMMEN D (cont.) Signed on on behalf of on behalf of

.... the principal sharsholders of which are ....

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9988 138 379 - ----

up to a total not exceeding the emount, of the Bood, or remark the default and comp Contract in accordance with its terms and complianes.

default and comple

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LITERAM INSPERTION 5.

HA006548

COTECNA INSPECTION S.A.

The continue and the continue of the

Article 1: Contract De A. GENERAL

This Counted is entered into by and between the UNITED NATIONS, an increasional inter-governmental organization, which is handquarter, inclused in New York, NY, 10017, USA (perceitather referred to as the "UN"), and COTECAA INSPECTIONS 5A., a copporation incorporated under the hard and Substantial buring its backquarters at 58, Rue de the Transsier, Genera, Switzerland (heretainfare referred to as the "Contractor"). The UN and the Communion are collectively becausifare referred to as the "Parties".

between

CONTRACT PD/C0144/01

W.TERREAS the UN, in furtherance of the mandate Recolutions, wisters to capage the Contractor to provide any worst obstant that the description, while and quantify given that the description, while and quantify given that the description is accordant to the Corontines, all on the terms and conditions set forth

WITEREAS the Contractor represents that it is provide these services on the terms and conditions set is NOW, THEREFORE, subject to the s. Parties agree as follows.

HA001078

HA001077

COTECNA INSPECTION S.A. THE UNITED NATIONS

Contract no. PD/CO144/01

Article 2: Texa & Castituses

This Course shall be in force for an initial term of one (1) year, fromjublings 2001

The Course shall be in force for an initial term of one (1) year, fromjublings 2001

The Course of the state of the state of the course of

agreements, verbal or otherwise, exist between the Parties except as herein expressly set forth.

1.2 The following Annexes shall form an integral part of this Contract:

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13. The Appear shall confirm imports (Supplies into 1ret in according to the heart) to RFA and the Proposition in the production of the pr

We had not the Agents shall be a market special improvious spik guitamicianion procedure; To Ne shall not the Agents shall are be middly altered interaction to the agent and a monitoring the agent to the agent and a monitoring the agent to the agent that agent to the agent to the agent to the agent to the agent that agent to the agent to the agent that agent to the agen

Contract no. PD/CO1

This stall may only be tremoved by the Union's Marines as the time of the visit to the end-sear facility. Subsequent to the impection and autoritiestics of this consignment to the Apears and inform the United Nations and, with regard to cell space parts and equipment, the cell impecting agent, of the survival in the benefit of the intensity in operation and autorities are also appeared to the territorial to the benefit of the intensity and impecting and also the survival to the territorial control and values extendible, death in apparing each some or the result to the survival and the apparating each serve of the end-

A. Should the Overnment of the questive retain commodities to be described upon recept and not in executione with conservant specifications, it may naise arrangement from expect of an interval of from the approximation of the properties of the supplier will also be adjoint to special impection procedure by the large the appropriate apport of the intensity of special impection procedure by the large the appropriate apport of the intensity to special impection procedure by the large to indicate in Archiel 4.4 shows but in reverse order. Upon their infinite paint, as inclined in Archiel 4.4 shows but in reverse order. Upon their infinite paint of procedure for the transport of the intensity for the purposes after the control of the intensity of the purposes after the control of the intensity of the proposes after the control of the intensity of the preparation of the intensity of the

the Committee in one of suppression there is no controlled in the committee in one of suppression that the controlled in 
the VIN to provide majors.

4.7 The Countactor Control of the Countactor of the Coun

4.8 II. rector shall be responsible for making the necessary arrangements to the finding collisiones under this Contract. The Contractor that perform to the contract in accordance with the highest professional standard

performing their obligations under this Courtex, the Courtexlor and its persons and one of the courtex the Courtex and procedures, and procedures, and procedures, including without limitation, the Resolutions, the MoUl, the Procedures, any other proced

Contract no. PD/CO144/01

HA001082

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and decisions approved by the Committee, and instructions and applicable reports of the UN Secretary-General.

4.10 The Coursecus acknowledges that (i) the UN thall have no obligation to provide any assistance to the Courseior in performing the Services other than as expressly self orth herein and (ii) but Un foreign to represent the self-independent of the availability of any facilities or equipment in Inap or the conduct of Impl authorities. The Courseior represents and warrant that all information in the Proposal is true and correct.

1 (A) 11 TO UN resource to right a say time, including the current on the configuration of the current of the configuration of the current of the configuration of the current of the curr

(b) Each duty station shall be equipped with UPS (uninterrupted power supply) back

Contract no. PD/CO144/01

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up capable of sustaining operations for a minimum of twelve (12) bours. Each duty station utilizing local power shall also be equipped with a back-up generator with adopting power capacity to power the entire station.

4.13 The Contractor shall safeguard the facilities used in connection with the per through the measures set forth in the Pro-

Article 5: Contractor's Personn

Contract no. PD/CO144/01

HA001086

Article 7: Contract Price and Payment Terms

HA001085

invoices and certification by satisfactuly completed. The satisfactuly completed. The apportung documental freq Programme, United Ni Wew York; 1017, Aun: Clab number of this Contract the UN's receipt of the unwell to en 6.5 The UN thail not be liable for any action, consiston, a constructor of amplicacy, agent, remains or nab-construction. Which may be demond recentary or desirable for the purpose constituent associated with any illuster, injury, Contractor completes, agent, servants or sub-constructors with this Contractor completes, agent, servants or sub-constructors with this Contract.

5.6 The Courtactor shall ensure th work under this Contract, in accordan The druy stations shall be staffed as a shall earry out their work in accordan Contractor shall employ the managema.

the right, at any time, to alter sassaged, including the number sassaged, including the number cost the UN. (The Agents assistant information technologies rape and fiverse, one (1) food technologies.

Contract no. PD/CO144/01

exceptional basis and to the extent practicable, to travel on UN-provided transport to, in, and from Iraq strictly for the following purposes:

(a) evacuation due to security developments, on the understanding that such evacuation shall be to the nearest safe area; and

9.3 Without limiting the Contractor's obligation system, in the event and the Contractor's pear (or agree, on a recognical heat and to the access to evaluate the Windows heatings. In our permitted to unitar such the resement heatings, and of the agreement heating and another than the contract of the c

Contract no. PD/CO144/01

Article 10: Contractor's Obligations Upon Expiration or Termination

Upon exprision or termination of this Contract shall take to terminate it operations as proof and contract and information and take not actions as may be reasonably requested by the processive and not processed of 0.0 has well as a ferror at these performed by the practice of 0.0 has well as a ferror at these performed by the part for the contract and the processes of 0.0 has the second performed by the and he results observed as of the part of the part of the performed by the performance of the pe

Article 11: Linison and Inspection

11.1 To LIN tearrest for right to unpect and test all Ser-modern the Councet, to the extra practicable, at all resona-of this Councet. The UN shall perform importants and tests hander the performance of the services by the Councilor, all inspections and tests.

11.2 If any work or services performed to the UN shall contract, the UN shall be to the U

Contract no. PD/CO144/01

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HA001089

# Article 12: Termination at Will

cause, in whole or in part, upon thirty (30) days written and contract of termination pressure to the ideast, the UN stall only ber Contractor for Services stalleducing performed an accordant feebrie day of termination and are intellument to which personate of Actie (2.2 kered) in the event of perint termin proportionately reduced as set form in Article 4.2 bered).

| 12.2 Notwithstanding the provisions of Article 14 of the UN Gen
| 12.2 Notwithstanding the provisions of Article 14 of the UN Gen
| 12.2 Notwith the Contractor ability of reference forms in
| 12.2 Notwith the Contractor shall not volume are of an expersion ability
| 12.2 Farters upon the family shaked on the UN which proceed that to
| 12.2 Farters upon the family shaked in freq.
| 13.3 Notwith the UN which provided the UN which proceed the UN with the UN which proceed the UN with 
12.3 Without limiting any of the UN's other ri-circumstances, whether or not constituting force Contractor to perform the Services as contemp comply with any contingency plans designated the Services.

Contract no. PD/CO144/01

## Article 14. Performance Bond

### Article 15: Notices

### IF TO THE CONTRACT

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ATTAC: DARNIS

Notice by overnight mall or recognized overnight delivery it is officially recorded as delivered to (or refused by the sit or officially recorded as delivered to (or refused by) the sit or equivalent. All socies and other communications required in person, by facinitie, or by telegram shall be detectived by the addressee and shall be effective on the date

Office of the Iraq Programme United Nations New York, New York 10017 Attn: Senior Customs Officer Fax No.: (212) 963-8083

IN WITNESS THEREOF, the Partie

For and on behalf of:

COTECNA INSPECTIONS S.A.

SIGNATURE NAME TITLE

TITLE: Officer-in-Charge, Procurement Division

15

Fax no. (212) 963-6315 IF TO THE UN (communicat

AMBEK I

[IN GENERAL CONDITIONS FOR GENERAL CONTRACTS]

UNITED NATIONS GENERAL CONDITIONS OF CONTRACT

2.0 SQUPICE OF BASTRACTIONES: TO accurrate to the United Nations in Contractor, shall refer from any control terminal with the fullest requirements with the fullest requirements with the fullest requirements.

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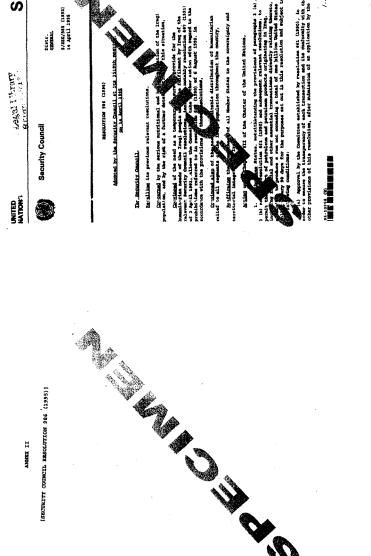
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12. The chief the control of an emission is the transmit of the control of the co

The state of the principles of the principles to the Contract and the descript a way, and the principles of the principles of the United Nuclear, Madding in subdiding of the Contract and the Auditory in Section 19 (4.0) TAX EXCHANGES

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HA001089

5,485/986 (1993) Page 3

(i) Each augort of goods is at the request of

(11) Lraq offestively guarantees their of of a plan submitted to and approved including a description of the good (iii) The Feoretary exported good

process of the walk reference for a vicinitarial process. The walk of the process of the walk of the control of

directly necessary therefor, of the parts and equipment permitted under paregraph 3 below;

9 see 4 (25/524/8.

S/RES/306 (1995) Page 5

> (9) To make available up to 10 million United States dollars every 30 days from the famil deposited in the secrow account for the payments savisaged under paragraph 6 of resolution 178 (1992) of a October 1992.

prospects on resolution 778 (1993) of a October 1993)

\*\* Authorized Scares to parently, notwithermeding the provisions of parentlespecial of a constitution est (1990)

prepare A to of resolution set (1990).

In respect to trace the price and equipment which are sessoitable the safe operation of the Mithan-Yamaralik publica system in Intel, such price special by the Committee autablished by resolution set (1990) equat operat contract;

the partic appears by the Committees established by rescitution (if it is betivities directly necessary for the superies authority adoptorymy in the hore, including thinauth interactions with the subject of the superies authority the superies of the superies and by paragraph is of sensition of the superies of the sup

the discussed the Secretary damping to profit to the Concoll to de the Concoll to concollett, and format and supplies for searching to destinate the concollett, and format and supplies for searching to the Concollett of the Conc

the foreign the secretary-describ to the the arrives secretary to the first secretary are secretary at the secretary and this resolution, sutherfees him to eary necessary arrangement or agreements, and remaining him to report Duncil when he has done so;

INEMORANDUM OF UNDERSTANDING! ANNER III

8/1996/156 English Page 2

The Distribution Plan referred to in paragraph Resolution, which has to be approved by the Secreta Nations: constitutes an important element in the an Resolution

Mothing in the present Memorandum should the soversignty of textitorial integrity of !

be submitted to the Secretary-General of the the Secretary-General is satisfied that the

plan adequately enemies equitable distribution of humanitarian supplies to the Tred, population throughout the country, he will no informe the Government of Trace.

5/1996/156 English Page 3

It is understood by the parties to this Memotandum that the Secretary-openeral will not be in a position to expert as required in paragraph is of Memotation unless the plan prepared by the Government of Ireq memis with his approval.

## Section IV

 In observing the equitable distribution and its adequary, personel will use, inter-alia, the following procedures. OBSERVATION PROCESSES

3). As regards the capert to lind of pers and epigeons which are casterial for the aid operation of the Kinha' Neutrals pipalian system in 1876, the request will be anomitted to the kill Domaittee by the national Constraint of the application. Soft request of the application of the Constitute and the processing of the page of the Constitute and the processing with the proceedings.

S/1996/356 English Page 6

10. If the fit Committee has approved a request to according to the control of the fit of the control of the fit of the control of the hasholston has proceed of which set of the hasholston has proceed of which set of the hasholston has proceed of which set of or department of credit a signature has neglected or control of the control of the process of credit or highlacking that payment can only be afforced which the control of the contro

The requirement of authenticated confirmation of this Section "'all apply also to the parts and equipm paragraph 29.

35. The objectives of the United Nations observation process shall be:

5/1996/156 English Page 7

(a) to confirm whether the equitable distribution of humanitarian supplies to the Iraqi population throughout the country has been ensured;

(b) to ensure the effectiveness of the operation and determine the adequacy the available resources to seet Iraq's busanitarian needs.

HA001113

S/1996/356 English Page 8

S/1996/356 English Page 11

Annex 1

Pending its entry into force, the Memorandum shall be given by the United Nations and the Government of Ereq provisional effect.
 Stoner this John day of May 1996 at New York in two oraginals in English.

8/1996/356 English Page 10

Por the United Mations

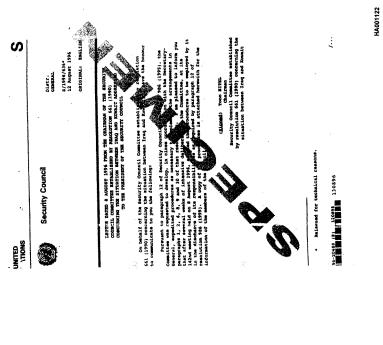
s/1996/356 English Page 13

S/1996/356 English Page 12

S/1996/156 English Page.15

The United Mations Secretarist and SOMO shall maintain continuing contact and in particular United Mations oil apperts shall meet routinely with SOMO representatives to review market conditions and oil sales.

5. The United Mations will receive monthly reports from SOWO on the actual volume and type of petroleum products exported under the relevant sales contracts.



AMMET IV

the light of this sport, any decement makinted as part of an application to the Committee will be veilable for constitution by Committee asserts its describation.

1. The support of patholous and particular potential by the Secretary-General and at the mentioned of patholous and particular potential and at the mention article in boards in the long of sciences will be considered and sciences and at the mention article in boards of the formal and sciences and sciences and sciences article and at the sciences and sciences article and at the sciences article and at the sciences and sciences are sciences are sciences. The sciences are sciences are sciences and sciences are sciences are sciences. The sciences are sciences are as a science of sciences are sciences are as a science and sciences are sciences. The sciences are sciences are as a science and sciences are sciences are as a science and sciences are sciences. The sciences are sciences are as a sciences are sciences are as a science and sciences are sciences are as a sciences are sciences are as a science and a sciences are as a sciences are as a science and a sciences are as a sciences and a sciences are as a sciences are as a sciences and a sciences are as a sciences are as a sciences and a sciences are as a sciences and sciences are as a sciences and sciences and sciences are as a sciences and sciences are as a sciences and sciences and sciences are as a sciences and sciences and sciences are as a sciences and sciences as a sciences as a sciences as a sciences as a s

10. If the contract as are found to be in the conditional appropriate the conditional described in the conditional described the conditi

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At a meeting, the Committee may provide additional quidance to be followed by the overseers.

24. If any Committee member judges the circumst seasons are still for a revelue by the Committee old contracts established in this section. Committee will decide according to the non constitues or review the species. In the man cas only be made in accordance with paragra

32. Such applications shall be submitted as fol

Annes, I.

s/1995/636 English Page 11

The attention contract with the Terminal state of the American Operation for the practical or of patrolices and/or perceits an admitted for approval in accordance with practical or of security Connective or 186 (1985) and the procedures of the America's Connective or 186 (1985) and the procedures of the Security Council Committee and president of the Connectivity of the America's Council Committee and America's Council 
GENERAL RELEASE FROM LIABILITY ON ACCOUNT OF USE OF UN-PROVIDED TRANSPORT

I, the undersigned, hereby recognize that all the Wh-provided transport, pursant to Contract So. between the United Nations and Content Inspection So. for go how conventence and benefit and may take place under conditions of special risk. In considerative permitted to travel on such means of transport, I he

(a) Assume all tisks and liabilities during (b) Recognize that neither the United Mea its officially, employees or agents are italy ann travel; constitute of death that may be sure that the think may be sure that the constitute of the constitute

Nothing in or relating waiver, express or implie immunities of the United organs.

Passenger

HA001133

Provided all terms and conditions of this letter of credit will for proceeds of this letter of credit will for paid into the 'Iraq Account' with ... Bank. "- All charges within Ireq are for the beneficiary charges outside Ireq are to be borne by the page

2. Other information to be included:

. nature of the petroleum or petrole

forecast quantity of petroleum

Information to be included in the letter of credit As provided for in paragraph 2 of Annaw II of the Memorand Understanding processor the Secretarist of the Onlyted Marticles and of first on the laphweentation of Security Connective seasontine of NR of 1995. The Collocing clauses will have to be Inserted credit;

s/1996/516 English Page 12

Annex II

GENERAL RELEASE FROM LIABILITY ON ACCOUNT OF PROVISION BY UN OF EMERGENCY MEDICAL CARE

f, the undersigned, hereby recognize that all emerge medical see provided to me to Waddal fittles, pursuant Contract No. PO/COM/224/90 hereby medical faltitude, pursuant Inspection 3.A. is solely for my own conventations and benefit may take place in areas or under conditions of special risks, consideration of receiving such medical care, I hereby:

(a) Assume all risks and liabilities in connect provision of such medical care;

(b) Recognize that neither the United its officials, embloyees or agents are a damage, injury or death that may be surthe provision of such medical care;

(c) Agree, for myself as well; and estate, to hold harmless the officials, employees and agent account of any such loss, damples

Nothing in or relating waiver, express or implied of immunities of the United Natilions

Employee

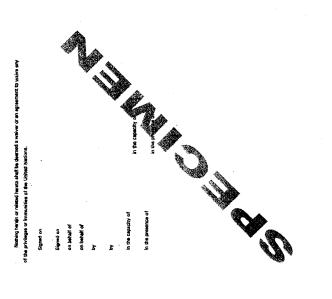
Date

HA001135

## FORM OF PERFORMANCE BOND

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HA001137



Mr. Shays. Let me start with the counsel to ask some questions,

and then I will have some questions.

Mr. HALLORAN. Mr. Smith, in describing the factors that you say led the United Nations to select BNP as the provider of banking services, you said an established commercial trade operation in Europe. Did that include facilities for processing letters of credit of the kind that the program generated?

Mr. SMITH. The program in itself was unique. I don't think that any bank had facilities established to process the type of business that was created by the program itself. However, BNP had an existing trade finance operation which dealt with the issue of letters

of credit in New York City.

Mr. Shays. Could you just explain what made it unique?

Mr. SMITH. Potentially the size of the program, which was obviously a little bit unclear at the start of the actual program, but especially the additional controls that were included. The confirmations of arrival are unique. As far as I am aware, they are not used

anywhere else as far as letters of credit are concerned.

Normally a supplier of goods under a letter of credit would be paid as soon as they presented all of the required documents under the letter of credit, which is usually at the point they ship the goods. Under this program, no payment is possible until the goods have actually arrived in Iraq and been inspected and confirmed to be in accordance with the contract.

Mr. Halloran. So that complicated the process both in terms of

paper and time?

Mr. SMITH. It complicated the process. It gave us an additional amount of paper that we needed to check against the shipping documents and the letter of credit.

Mr. HALLORAN. In that line of business with your client, the United Nations, when does the Bank get paid, based on what trig-

gering event?

Mr. SMITH. The Bank basically gets paid for the issuance of the letter of credit. There are some associated fees relating to pure payments, to SWIFT messages, etc. But the actual fees charged under the program really related to the issuance of the letters of credit.

Mr. HALLORAN. The Oil-for-Food Program was run in phases des-

ignated by the Office of the Iraqi Program?

Mr. SMITH. It was run in 6-month phases, yes.

Mr. HALLORAN. Were there negotiations with the Iraqi Government and other entities from phase to phase as the program ma-

tured, and how did that change the Bank's operating?

Mr. SMITH. As far as the Bank was concerned, the banking service agreement was basically extended by the United Nations at each stage during the process. To the best of my knowledge, during the course of a series of extensions over what eventually were 13 phases of the program, there were some changes made to the way the business was conducted.

Mr. HALLORAN. As the processing or the flow of business changed, what kind of capacity did the Bank have to discern trends or novelties in the business? For example, it has been suggested about phase 8, when Saddam got a little more sophisticated about oil vouchers as opposed to directly selling to end users, that the roster of those being paid would have changed both in quality and

quantity, new people and a new number of people. Would that have been discernible by the Bank and would it have put a red light on

the border anywhere for any reason?

Mr. SMITH. There was certainly an increase in the volume and the complexity of the business that the Bank was handling around about phase 8. As far as red flags are concerned, I would come back to my statement in that the United Nations was the Bank's customer. The United Nations was approving all of the counterparties on both the oil and the humanitarian contracts. In addition to that, I would remind you that all of this business was screened for OFAC purposes and reviewed against the various OFAC listings.

Mr. HALLORAN. With those safeguards in place, the Bank felt confident that its business was being done according to the rules. But what can go wrong with a letter of credit? What would have

sent a bell or red light off in a letter-of-credit transaction?

Mr. SMITH. Most of the immediate thoughts that come to mind regarding that question are purely from an operational point of view in how we check documents, etc., which would not really be caused under the program.

Mr. HALLORAN. If the recipient of the shipment said this is not the quality or quantity of oil I ordered, and there is a rejection, the

letter of credit is not claimed upon.

Mr. SMITH. The letter of credit is a written undertaking that a payment will be made on the presentation of documents that are specified within that letter of credit. So a letter of credit is constructed so that the buyer of the goods ensures that they have the necessary documents to give them the comfort that the goods are of the quality they want, of the quantity they want, and will be delivered in a timely manner.

So, for instance, on the oil that was being lifted from Iraq, one of the documents that would need to be presented for payment would be a chemical analysis of the goods or the oil to prove it was of a specific quality. In addition, bills of lading confirming the shipment and the quantity of the shipment would also be presented, so the protection is in the documents which the Bank is dealing with.

Mr. HALLORAN. In the course of these transactions, did BNP have occasion to be in contact with the Central Bank of Iraq?

Mr. SMITH. The Bank received the initial requests to issue letters of credit under the humanitarian program from the Central Bank of Iraq. Once those requests were received, they were referred to the United Nations, and the United Nations would give the approval to issue those letters of credit or not.

As far as the inspection of the documents before payment is concerned, there would be no contact with the Central Bank of Iraq. The Bank would review those documents, check those documents in the same way that it would under any other commercial transaction, albeit with the additional documents and controls that are included in this program, and make a determination whether a payment should be made. If the Bank was comfortable that the documents were in order and a payment should be made, then we would approach the U.N. telling them that we had good documents and we were proposing to make a payment. They would confirm that payment.

Mr. HALLORAN. The Central Bank of Iraq had no say as to who or how much got paid?

Mr. SMITH. That's correct. Once the letter of credit is issued, it governs the conditions of payment. As long as the correct documents are presented, payment should follow.

Mr. HALLORAN. Thank you.

Mr. Pruniaux, describe a little more, if you could, the distinction that is being made in your testimony between authentication and inspection. Our perception from both your testimony, and other documents, is that it was a process that compared paper to paper, sometimes it did not matter what was in the truck behind you, and if the documents said the truck should contain 50 barrels of something, your obligation was fulfilled and you never got to look in the truck; is that correct?

Mr. Pruniaux. Authentication is really matching documents. You know that we were present at four sites. The fifth one was opened in 2002, but it never really operated. It was at the border between Iraq and Saudi Arabia. The documents were ordered by U.N. OIP-New York in such a way it provided very detailed information on the goods which had been approved and for which the letters of approval had been issued. So the suppliers would send the goods, the shipments, to Iraq, and we would know beforehand that the goods were going to arrive through the secure transmission of documents coming from the U.N. OIP addressed to each individual site. No one—let me phrase it differently.

The information provided to a certain site was not available to the other sites to keep confidentiality. For instance, at Trebil where we had most of the traffic, the trucks would arrive with containers, and they had to stop. The supplier's and the transporter's duty was to come to us and tell us, this is the shipment so-and-so, these are the references, these are all of the documents; and we would look at all these documents and see that they matched the information

we had received from U.N. OIP.

Mr. HALLORAN. When they did not match?

Mr. Pruniaux. There were three major reasons. Maybe the letter of approval had expired because it took more time for the goods to arrive in Iraq to be presented at the border. Sometimes—and very often the sites are changed, especially between Turkey—goods landed in Turkey or Jordan. Very often there was substitution in sites. Sometimes the documents were incomplete. That was mostly the case in Umm Qasr. So we would block in the sense that we would not authenticate, but we had no authority and no power to prevent the truck from crossing the border and entering into Iraq. The only thing, nobody would be paid because we had not authenticated. In such a case we would refer these problems to the U.N. OIP and it was up to U.N. OIP to discuss with the supplier and find the reason or maybe extend the validity of the approval.

Mr. Shays. Did you know what the outcome was when you would disclose these transactions had taken place? Do you know how they were resolved? Or once they were passed on to the U.N. authori-

ties, it kind of left your hands?

Mr. PRUNIAUX. No, I would not know. We would get information from U.N. OIP, yes, the approval has been extended, it was acceptable that the site be changed and the supplier was requested to

provide the missing documents. On that basis, on that very specific information, requests from U.N. OIP Cotecna would authenticate by electronic mail—that was in 2002, but before that it was faxed and signed by the team leader on each site and it was sent to U.N.

OIP so the payment of the supplier could be processed.

Mr. HALLORAN. In your testimony you say the Iraqi ministries complained continuously that the authentication process favored the supplier, often claiming they had received substandard goods or delivery shortfalls. Iraq frequently exerted firm pressure on Cotecna to withhold or retract authentication. OIP directed Cotecna to refer all such matters to the U.N. What does that mean?

Mr. Pruniaux. To the U.N. Security Council.

Mr. HALLORAN. Where did that get you? Mr. PRUNIAUX. Maybe I misunderstood.

Mr. Shays. His question is what happened then? What was

achieved by doing that?

Mr. Pruniaux. The Iraqi authorities in Umm Qasr, that is the place they put us under pressure. The Iraqi authorities would complain that we were authenticating goods which were sub-quality. We would not get involved in those discussions, as long as food-stuffs were fit for human consumption. Now, the fact that the Iraqis considered goods were substandard or were not exactly what they had ordered was a matter of commercial dispute between the supplier and the receiver. In fact, being in the business, in the profession, we always told everyone that it is normal practice in this kind of business, in commercial transactions, to appoint an independent inspection company to verify that the goods which are being purchased matched the contract, the detailed contract specifications, and that was told by the U.N. OIP to the Iraqi authorities to implement these kinds of procedures.

Mr. Halloran. But they chose not to?

Mr. Pruniaux. They did that occasionally. I would like to mention, for instance, that one of the things that Cotecna was forbidden, we were forbidden from acting as a commercial inspection company providing our services to, of course, the Iraqi receivers and, of course, the suppliers. So there would be no conflict of interest between the independent inspection authentication that we were providing to the U.N. OIP and the commercial disputes between a receiver and the supplier.

Mr. HALLORAN. That was a provision in your contract with the U.N.?

Mr. PRUNIAUX. Yes.

Mr. HALLORAN. Your testimony also says that one of the challenges you faced in executing this contract was that you had to navigate Cotecna's delicate web of contacts with U.N.'s Office of Humanitarian Coordinator for Iraq. Could you amplify on that? There are other references in testimony that particular office was a problem in terms of executing this program.

Mr. PRUNIAUX. I would not say it was a problem. It was a delicate, diplomatic way of having to coordinate on a daily basis in Iraq because we had from 54 to 67 inspectors living and traveling and eating and sleeping in Iraq. You have to realize also, to get into Iraq you need a visa to enter the territory, and the visas were pro-

vided only at the Embassy of Iraq in Amman, in Jordan, and if for some reason the visa was not granted, the inspectors would be stranded and cannot reach their sites. The only way to get some support to clear visas or get transportation authorization to travel in Iraq, you needed a very specific authorization, and that was provided by the Iraqi authorities. The Iraqi authorities for all of these problems of logistics and transportation was handled by the Office of the Humanitarian Coordinator in UNOHCI in Baghdad.

Also and more importantly, a lot of complaints came from the Iraqis, unjustified and justified, on the behavior of certain of our inspectors on things which could have happened on some of the sites which have been reported to the Iraqi officials, and also complaints on the performance of Cotecna, especially in Umm Qasr where we were put under extreme pressure to shorten some of the

delays that they were experiencing.

In such case I have to be frank. UNOHCI was adopting a rather friendly attitude toward the requests from the Iraqi authorities; and this is what I mean, "problem" is maybe not the right word, but rather a "delicate."

Mr. HALLORAN. Right. Sounds like a problem to me.

You also say that you had to deal with direct pressure from the Iraqis. What kind of pressure? There is some e-mail traffic describing pressure to move things through and not be so careful about

things. Where did that pressure come from?

Mr. Pruniaux. From Iraqi officials. We have an example which I presented in the documents you have received where it was in 1999 there was a minister of I think of Kuwait, who came with armored guards to our site in Umm Qasr and told us that we would not be authorized to authenticate unless the goods had already been accepted in terms of quality by the Baghdad laboratories. As we brought in various correspondence which appear in the documents, the inspectors were very shaken on the ground. So we issued a formal complaint that came to my attention in Geneva, and I told the U.N. OIP-New York. But there was pressure of these kinds of things.

Mr. HALLORAN. What would have been the problem of Baghdad checking off on the acceptance of goods?

Mr. Pruniaux. They would have blocked all authentication.

Mr. HALLORAN. Until they got paid first?

Mr. PRUNIAUX. Yes, and create a bottleneck so someone would have to pay to get the goods cleared by financial gains to the Iraqi officials.

Mr. HALLORAN. After the Minister of Trade shows up with 20 or more armed guards and intimidates your crew, how was that demand resolved?

Mr. Pruniaux. Diplomatically or politically I cannot respond. I can say technically that problem was solved because that did not occur again. However, as I said before, there was constant pressure, especially in Umm Qasr, on Cotecna to authenticate, in a speedy or in a slow way, so the Iraqi officials could exercise some pressure on the suppliers.

Mr. HALLORAN. Thank you.

Mr. Boks, there was an allegation in the Wall Street Journal 2 days ago that in the course of one oil transaction a Saybolt em-

ployee had been bribed to allow a topping-off of the ship. The company's response was that it had been investigated before. Do you

have anything more to say about that?

Mr. Boks. We have investigated that incident at the time we learned of the incident which was in October 2001. At that time we conducted a thorough investigation. We went through the whole process. We looked at off-loadings. We interviewed the team leader. We virtually took all of the events and circumstances and we submitted that report of the investigation to the United Nations with a briefing also to the 661 committee.

What we have now learned from the article in the Wall Street Journal actually is for us a new allegation. We had no knowledge of that before it was published. You can rest assured that we will investigate this further. We will get to the bottom of it. Actually, as a matter of fact, our board has already instructed our general counsel to get a team of lawyers to investigate this to the bottom.

Mr. HALLORAN. If you can supply the subcommittee with whatever product your investigation produces, that would be helpful.

Mr. Boks. Sure. We will share this with the investigating commission.

Mr. HALLORAN. The incident of the Essex, which was detained and found to have oil loaded in excess of the Oil-for-Food Program contract, what changes were made in the Saybolt inspection process and the U.N. inspection process as a result of that? What confidence do you have that it was effective in preventing the practice

of topping off?

Mr. Boks. That evening I heard we took immediate actions for temporary reasons to have an inspector sitting 24 hours, 7 days a week, on board a vessel if it was alongside the terminal. Given the staff levels, that was not something that we could continue, so we implemented new instructions in terms of sealing the ship's manifold after the loading had been completed and the loading arms were disconnected. These seals would have unique numbers and would be also inserted on the notification letter. The notification letter was a letter which we put on board with the U.N.-authorized quantity loaded on board that specific vessel, actually a procedure that only was implemented earlier in 2001.

In addition to that, we would check the seals prior to departure of a vessel because a vessel would not always depart immediately after it completed its loadings. So before departing, we would check the integrity of the seals. If not, we would then remeasure the ves-

sel.

Other instruction was we would look at the draft of the vessel after its completed loading. Draft is, I would say the surface of the water and the keel of the vessel. Maximum draft is, say, 21 meters, so if a vessel would load with less than that, we would take reference of that and also check it prior to departure.

Basically we would also look at potential vessels that would still have space after it had loaded its U.N.-authorized volume. So if that were the case, special attention would be required. Those new instructions have been adopted by the 661 committee at some stage.

Mr. HALLORAN. The calibration of the measuring methods you describe in your testimony, of the 2,600 loadings, of those, how

many were validated by you based on less than the type of methods you would have preferred?

Mr. Boks. You mean did we ever?

Mr. HALLORAN. In your testimony you said you would prefer to have the calibration and use other indirect methods to determine the amount of oil.

Mr. Boks. The consideration is as follows. When we first came to Iraq and we did our fact-finding mission, we came to the conclusion there were no properly calibrated metering facilities in place. Actually the border station in Zakho did not have a metering station so the Iraqis had to cannibalize on the Syrian pipeline and build it there within a couple of weeks.

Generally speaking, the metering equipment has never, during the whole of the Oil-for-Food Program, became on a level which would be able to be used for fiscalisation purposes. So all 2,600 loadings have been done by utilizing the methods that I have described in the statement.

scribed in my statement.

Mr. HALLÖRAN. In your experience, what is the potential margin of error?

Mr. Boks. That is a very good question. Actually what we did was we made a total comparison of all of the volumes we lifted from Turkey. In Turkey we had a cross-check possibility of measuring prior to loading and after loading, and then the volume could be calculated, derived from those two measurements. And we did also the ship, applying the vessel experience factor, and of the 1.3 billion barrels which were loaded from that port, actually we found a surplus even; a small surplus of 0.04 percent, which would lead us to believe that method was applied very accurately, and, I would say, very professionally.

Mina Al-Bakr was a different story because we could not crosscheck. We did not have any ability. We only could rely on the ship's figures by applying the vessel experience factor. I could not give any estimate as to the accuracy of those figures. Although I would have to say that the percentages would be probably around maxi-

mum 2 percent.

Mr. HALLORAN. Two percent, OK.

Finally, for all three of you, what kind of oversight did you get on this contract with the U.N. from the U.N.? Were you subject to an audit or an inquiry by the Office of Internal Oversight at the United Nations, and if so, how often and what was the outcome?

Mr. SMITH. The Bank provided daily statements of the U.N. Iraq account to the United Nations. They also had copies of all of the letters of credit that we were issuing and the amendments that were made to those letters of credit and details of the payments.

From that, I understand that there were internal audits within the U.N. based on that information. As far as I am aware, there was never a physical audit of the Bank or the Bank's premises in our conducting of the business.

Mr. HALLORAN. But certainly the Bank, through perhaps other regulatory channels, had lines of business audited that crossed Oilfor-Food transactions?

Mr. SMITH. The Bank in itself had internal audits and external audits which included the trade finance area that provided the sup-

port to the United Nations. Sorry, my answer was the United Na-

Mr. HALLORAN. Thank you.

Mr. Boks.

Mr. Boks. In terms of audits, from what I know, the U.N. has audited us three times in total. At least I have seen three times the report; or let me say in two instances we only got a requirement to answer a few questions which basically were for us very easy to answer.

In one instance there was done a full audit report of which, let us say, there were quite a few comments and we had to go through them and answer them point by point, which we obviously did.

Mr. HALLORAN. Thank you.

Mr. Pruniaux. Because of the nature of our activities, we had almost 24-hour coordination with the U.N. OIP-New York, and U.N. OIP would call directly the sites to discuss technical or management matters on the sites. However, we were audited several times, maybe every 3 to 6 months. One of the senior customs officers from the U.N. OIP would go and visit the sites, with or without the Cotecna contract manager. We had an organization where we had a contract manager based in Amman and one working in Geneva working with me. We would go with them or without them. As a consequence, we would have meetings, regular meetings in New York every 3 months, and meetings also with the team leaders in Baghdad or Amman. That was an ongoing exercise that we conducted several times.

Mr. HALLORAN. Thank you.

Mr. Shays. I have a number of questions that I would like to go through. I don't think that they will take us long to answer. Some of them simply may not be relevant in the end, but since they are on my mind I want to ask and get them out of my brain if they were not relevant.

Why were transactions carried out in euros instead of dollars?

Mr. Smith. A decision was made part way through the program to change the pricing and the settlement of the oil sales from U.S. dollars to euros. That decision was made by the Security Council of the United Nations.

Mr. Shays. So it was the Security Council and not Saddam Hussein?

Mr. Smith. The decision was made by the Security Council, sir.

Mr. Shays. What sort of challenges, if any, did this present?

Mr. Smith. In banking terms, the additional challenges were minimal. Whatever currency we are dealing with, whether it is U.S. dollars or Euro's the process is basically the same. The physical payment process is slightly different. But again, it is a wellestablished process.

Mr. Shays. And the charge that your Bank would make would be the standard charge made on every transaction?

Mr. Smith. Yes. Pricing was agreed based on the transactions

that were being undertaken on behalf of the United Nations.

Mr. Shays. I am told the bank did not begin an internal investigation for the Oil-for-Food Program and allegations of the corruption began to emerge in 2001. One, is that true; and two, why not? Mr. SMITH. The Bank undertakes regular reviews of the program. If your question relates to the rumors and the stories relating to overpricing—

Mr. Shays. They were rumors that turned out to be true.

Mr. SMITH. Right. From what the Bank could see from the details they had from the information that it had, from the letters of credit and the documents that were presented, there was no evidence that we could see that substantiated anything that was happening. We were dealing with documents presented under a letter of credit which determined what the amount of the payment was, and the payment was basically made to the beneficiary or their bankers. Anything that happened outside of the letter of credit arrangement, obviously, we had no knowledge of at all.

Mr. Shays. So your company was not really in the field, this was

more papers crossed your desk?

Mr. SMITH. We were dealing solely with paperwork, and we were

dealing with it in Manhattan, in New York City.

Mr. SHAYS. The bottom line is when there were rumors that ultimately turned out to be true, your bank pretty much decided that there was not sufficient knowledge to have you conduct your own

internal investigation?

Mr. SMITH. We would certainly from an operational point of view look at whatever rumors were going around. Indeed, quite often we would discuss them at what were reasonably frequent operational communication meetings with the U.N. treasury, so I am aware that the U.N. was also aware of those rumors. At the end of the day, it was the Security Council that were sanctioning the various transactions.

Mr. Shays. Did you have a sense, or lack thereof, of Saybolt and

Cotecna's ability to verify transactions?

Mr. SMITH. We were obviously not on the ground in Iraq, so we did not see their operations at all. We were being provided with certificates that were required under the letters of credit. As far as the Cotecna certificates were concerned, they came to us directly from the United Nations, they did not come through any direct route. Again, the Saybolt inspections, all of the documentation for the payment of an LC relating to an oil shipment were presented to us by the United Nations.

Mr. ŠHAYS. Mr. Boks, do you have any reaction, or did you have any reaction to the description in the Amman newspaper that said there was a Netherland company of SyBolt, S-Y, and then capital B-O-L-T, as receiving \$3 million in oil? Did that get your attention?

Mr. Boks. Sure. We looked at that. We were puzzled that our name appeared on that list because we had not received any allocation. That also would have been very unusual. I can say Saybolt did not buy or sell oil or vouchers.

Mr. Shays. Being one in that list of 269, it would make us have to question some of the others on that list. In the Essex incident which was the illegal topping-off of oil, how were the Iraqis punished or censored for this obvious illegality?

Mr. Boks. I'm sorry, I can't answer that question because that is beyond our mandate.

Mr. Shays. So you don't know?

Mr. Boks. I don't know.

Mr. Shays. Your mandate, you basically reported the incident?

Mr. Boks. Well, what happened is a letter was sent by the captain of that vessel with corresponding documents to the United Nations clearly stipulating what happened during the event, and actually said this all happened after the U.N. inspectors left the vessel, after they had completed.

Mr. Shays. How did you respond?

Mr. Boks. When we received that letter, we took immediate action. We changed immediately the working procedures and introduced the seals.

Mr. Shays. Could you describe the Clovely incident?

Mr. Boks. The Clovely incident was of a different magnitude. This vessel was nominated to load in February 2002, and when it arrived alongside the terminal, it was very close to the expiration of the letter of credit.

Mr. Shays. I have no sense how long a letter of credit lasts.

Mr. Boks. It was just a matter of days.

Mr. Shays. Letters of credit give you a window of how much?

Mr. SMITH. It depends on the individual letter of credit. Normally the oil letters of credit—and they varied—but normally it would be a period of 4 to 6 weeks.

Mr. Shays. Thank you.

Mr. Boks.

Mr. Boks. When the vessel arrived, we noticed, because we kept track and record of the expiration date of each individual letter of credit so we would make sure that the completion of the vessel would fall into that window; otherwise there would be problems by, I would say, drawing on the letter of credit to get payment for the oil lifting.

So what we did was basically we instructed our team leader to notify SOMO of this event, and that loading would not be started until we had received from the U.N. oil overseers a revised date or window for the letter of credit.

That took obviously some time, and irrespective of that, the loading master or the Iraqi people on the platform decided still irrespective of that problem to start loading the vessel. And luckily we were able to get the letter of credit arranged prior to the departure of the vessel. But on itself it was clearly, I would say, an abuse.

Mr. Shays. This is for both Saybolt and Cotecna. How did the various U.N. offices that you work with coordinate their assistance and responses to your needs?

Mr. Pruniaux. I'm sorry?

Mr. Shays. Both of you have complained about confusion within the United Nations, sometimes a lack of cooperation from the U.N. Both of you have said that. I want to know how the various U.N. offices that you worked with coordinated their interaction with you. Let me ask you this way: How many different parts of the U.N. did you need to interact with?

Mr. Pruniaux. On a daily basis and for technical matters, operational matters, it was only the U.N. OIP. However, when you negotiate a contract, or if you want to modify the content of the contracts.

Mr. Shays. You're talking about your own contract?

Mr. Pruniaux. Yes. You have to deal with a completely different department or entities at the U.N. One of them is the Procurement Department, and, in fact, since I negotiated and I signed two contracts and several amendments, all the technical work was done with U.N. OIP. But all the rest, the negotiations on the financial conditions, that was done with the Procurement Department, and sometimes there was a lack of coordination between the two departments, which made it difficult for a company like Cotecna to fully and properly negotiate. And on top of that there was the Office of Legal Affairs.

Mr. Shays. What affairs?

Mr. PRUNIAUX. Office of Legal Affairs.

Mr. Shays. Legal Affairs.

Mr. Pruniaux. Yes, which was a very powerful department which included several very tough conditions, administrative contractual conditions, in our contracts. So, in fact, to operate under a contract, we had to work with U.N. OIP, but to implement the contract, we had to deal with three separate entities. That was in New York.

Mr. Shays. Yes. Would that describe the same challenge for you, Mr. Boks?

Mr. Boks. To a certain extent I underlined that we had similar problems with procurement. If our contract was up for renewal, you have—basically when they would not continue it, obviously you would need to have that information prior to the expiration of the contract. But sometimes the amendment was coming after the expiration date, which gave sometimes some problems with insurers, because obviously in Iraq, if you want to ensure yourself, then you need to make sure that there were reasons to be there in a certain

With OIP I must say I haven't had any major difficulties other than that we have issues where we asked advice after irregularities were noted, and it took sometimes quite some time. The other contact points we had was with the U.N. overseers, with whom we basically on a daily basis had contact concerning the oil export, and here and there obviously delays were observed, but not to the extent that it was an unworkable situation.

Mr. Shays. Both of you lacked power, and you lacked personnel. In other words, there are just certain things you couldn't tell the Iraqis to do. Did you try to get power, and did you have your contracts revised so that you could hire more people to do the job you needed to do? Mr. Boks.

Mr. Boks. Shall I start? The staffing levels, the staffing levels in the oil program have to a certain extent always been sufficient. Where we faced major difficulties was in monitoring the spare parts and equipment, which were also purchased under the Oil-for-Food Program. When we started, we started with one inspector, very modest, because spare parts were ordered but came.

Mr. Shays. You're talking about parts for the oil industry itself. Mr. Boks. Yes. Perhaps I should elaborate a bit on that.

In 1998, the Secretary General had been to Iraq, and a proposal was made to change the cap of dollars that could be generated through a phase would be going up to five-

Mr. Shays. Greater production.

Mr. Boks. Exactly. So at the same time, the oil prices were very low, and production was very low, so Iraq was not able to come up to those proceeds and to come up to that cap. And then the Secretary General appointed a group of experts to go to Iraq and, in consultation with the Government of Iraq, try to find ways of increasing production. We were that group of experts. And one of the conclusions as the industry was in an amendable state is that spare parts were needed and equipment was needed to bring the production up to the levels required. And for that purpose, the Security Council decided that they would allow Iraq to purchase spare parts and equipment, as long as there was a monitoring system that would keep track that those spare parts would also be used for their intended purpose.

Mr. Shays. And so that's the area where you could have used

more people.

Mr. Boks. Absolutely.

Mr. Shays. And did you request more people?

Mr. Boks. Yes. That was on an ongoing basis because we were facing also difficulties in terms of the fact that the Government of Iraq insisted that our staff would be deployed only in Baghdad, and that we had to travel throughout the country to check all those sites, and we only had, let's say, at the top level, six, seven people.

Mr. Shays. So the bottom line is you couldn't do the job properly

with the staff you had.

Mr. Boks. Well, we had to prioritize.

Mr. Shays. OK. Did this mean that you then had to take people from one part of your program to put it in the other part, spare

parts? Did you have to kind of cannibalize your program?

Mr. Boks. Given the constraints in traveling, we have used mainly in the beginning some staff from Zakho to do in the northern part of Iraq also some checks on spare parts and equipment for a very short period of time, because his traveling was difficult as we were staying in a Kurdish area, so it was difficult to travel around.

Mr. SHAYS. Let me ask you, Mr. Pruniaux, the whole issue of the lack of power, which you have described, and the lack of personnel, were both of these a serious problem at various times or not?

Mr. PRUNIAUX. Mr. Chairman, respectfully, it was not really a question of having more power. The specifications of our mandate were clear enough for the authentication. There was no need to get further—in my opinion, further power, physical power, to implement and to do the work that we are doing on the sites.

Mr. Shays. Yes, sir.

Mr. Pruniaux. However, sometimes because of the fluctuations in the volume of goods entering Iraq, or the fact that it was that the transporters were moving from one site to the other, made the work at certain sites more difficult, because all of a sudden we would have almost thousands of trucks arriving at Trebil, which was the border between Jordan and Iraq, or—and especially Umm Qasr, we would have an accumulation of ships and loading and containers being stored in the port. In such a case we would immediately try to ask the U.N. OIP permission to move staff between sites.

In that sense we did not have the power to move at our own will an inspector from one site to the other. The contract specified that we were requested to put a certain number of permanent inspectors on a daily basis per site, let's say 12 in Trebil. So if you want to move that and do that, you are in contradiction with the obligations of the contract. So we had to ask permission. And to move an inspector from one place to the other in Iraq could take a couple of days, so we would rush people to Umm Qasr because there was an accumulation of volume in Umm Qasr.

I must say that in order to have between 54 and 67 permanent inspectors in Iraq, Cotecna had to hire up to 95 permanent inspectors because of the rotation and those that are sick or going on vacation and so on. And this would be illustrated by the statistics that are available at U.N. We had more, always more mandates of inspectors especially in places like Umm Qasr. For instance, we were requested to have between 17 and 22 permanent inspectors in Umm Qasr, but we would have always 25, 26 all paid by Cotecna.

Mr. Shays. So sometimes you simply didn't have enough people. Mr. Pruniaux. Yes.

Mr. Shays. But was the solution to get more, and did you re-

quest more, and did the U.N. say no or yes? Mr. Pruniaux. It was a question of the decisions and convincing the U.N. OIP that it was not to increase our invoice, but we were

generally asking for more inspectors on the sites.

Mr. Shays. The bottom line is you don't have to worry about the U.N. making money off of this. I mean, their 3 percent, I'm assuming, helped pay your costs; is that right? Does anyone know? In other words, who paid you? Mr. PRUNIAUX. The U.N.

Mr. Shays. And they took a fee for-Mr. Pruniaux. From the 2.2 percent.

Mr. Shays. Right. There is nothing that we have seen so far that makes us think that they didn't cover their cost plus; in other

words, they made money off of this.

Would you say the U.N. sided more with your side when there was a dispute with the Iraqis or the Iraqis? Did they tend to dismiss—and I am asking both of you this. This isn't a trick question. At the end of the day, did you often feel that you lost more arguments with the United Nations, they just more or less sided with the Iraqis, or did they more or less side with you? I am asking both of you. Do you understand the question?

Mr. Boks. Would you ask it-

Mr. Shays. In other words, when you had a dispute with some transaction, and you contacted the U.N. officials with some disappointment, did they tend more to dismiss it and just say, you know, don't worry about it, or did they take your complaint very seriously and try to deal with it?

Mr. PRUNIAUX. As far as Cotecna is concerned, they took it very seriously, very seriously, because they had the permanent missions to the U.N. from all the countries exporting to Iraq and back, plus they had the suppliers coming there and so on. And there was until

2002 until there was-

Mr. Shays. Well, taking it seriously means they paid attention to. It doesn't mean they took your position though. I mean, in other words, they realized they had something they had to deal with, so they dealt with it seriously. I don't want to put words in your mouth. Did they basically say you all were right, and they were wrong, and what was your feeling?

Mr. Pruniaux. Ultimately somebody had to make a decision, and they told us to do the job with the number of people that you have,

and that's it. So we tried to work under these conditions.

Mr. Shays. Mr. Boks.

Mr. Boks. And in terms of disputes, the U.N. would take it serious if—we have hardly had any disputes, but we have had loadings where the off-takers were dissatisfied for one or another reason. And I must say that OIP did try to come to a solution; not always, I would say, in a quick way, but at the end of the day, they always tried to solve and to assist.

Mr. Shays. The number that is thrown out in these two sides of the equation, the Oil-for-Food Program suspected that Saddam basically took out \$4.4 billion, and the smuggling, which we looked at the numbers being more like \$5.7 billion. Did your inspectors ever identify or observe any smuggling?

Mr. Boks. Although we had not the authority to look for smuggling, and we also have to realize that our inspectors were at very remote locations, we have——

Mr. Shays. In other words, there were a lot of sites were you not at?

Mr. Boks. Absolutely. More than that we were. But we have——Mr. Shays. There were more sites that you weren't at than you were at.

Mr. Boks. Absolutely.

Mr. Shays. OK. Is that true for you, Mr. Pruniaux, as well?

Mr. Pruniaux. Well, we operated on the four or five sites. As I explained before, we were told that the goods were presented to us. But there was a permanent flow of goods entering into Iraq which had nothing do with the Oil-for-Food Program. And I visited Iraq several times, Mr. Chairman, and it could be—it was easy to see that, you know, visiting Baghdad there was plenty of goods which shouldn't have been on the open market.

Mr. Shays. OK. So in observing smuggling, if you saw it, did you

report it, or did you figure that wasn't your responsibility?

Mr. Boks. Well, basically I can say that we have had instances that I felt that we had to report it, and I realized that was outside our mandate, but still felt that it had to be brought to the attention.

Mr. Shays. Right. Mr. Pruniaux, tell me the response to that

question.

Mr. Pruniaux. When you see goods entering Iraq outside of the Oil-for-Food Program, you do not know if these are the 661 goods or if these are smuggled. These were entirely left to the authority of the Iraqi Customs to check these goods entering Iraq. No, we would not report, because we did not know what kind of goods these were.

Mr. Shays. What I see the difference is that in the Oil-for-Food Program, the oil part of the transaction, it seems to me, is a little

easier to have policed. But if a ship came up and loaded up, that was something that you would simply step in. I mean, you weren't going to allow that kind of smuggling, correct?

Mr. Boks. Well, it wasn't always ships, but at some states we

also----

Mr. Shays. It could be a truck.

Mr. Boks. We learned obviously there was traffic to Jordan, although that was more or less of an acceptable phenomena, and we have reported in our fact-finding missions that volumes were estimated at 80,000 barrels a day. But we also have seen the fact that had been used in early 2003, and we reported that to both the Multilateral Interception Force as well as the United Nations.

Mr. Shays. So there would be some ships, though, that you

would not have inspected, correct?

Mr. Boks. Sure. But if they were loaded at a different terminal, we would not have staff available to do that.

Mr. Shays. I mean, you know, that's kind of significant, how many terminals were you at versus how many terminals exist.

Mr. Boks. Well, you had not only terminals. We have to make a distinction here. You have the pipeline to Syria. You have trucks to Turkey, trucks to Jordan. You had vessels in the Arabian Gulf, which were loaded at the Shatt al-Arab, which basically—and then we had also a terminal 10 kilometers north of Mina Al-Bakr called Khor al-Amaya. Those were, I would say, the points that activity has been observed, not by us, but by others.

Mr. Shays. Why didn't Cotecna operate inspectionsites in neighboring countries as Saybolt did? Let me say it again. Saybolt had inspectionsites in neighboring countries; is that correct, Mr. Boks?

Mr. Boks. We had one inspectionsite in Turkey. Mr. Shays. Right. And why were you in Turkey?

Mr. Boks. Well, as a matter of fact, Iraq had from the beginning onwards two export points. One in the south we talked about. But the crude oil which was produced in the north was transshipped through the Iraq-Turkey pipeline to Ceyhan. And in Ceyhan there was a terminal, there is a terminal where that crude oil is stored and loaded subsequently in vessels which then proceed through the Mediterranean.

Mr. SHAYS. Now, why wouldn't you have been in Syria then? If you were in Turkey, why wouldn't you have been in Syria?

Mr. Boks. Well, that's an interesting question. I can't answer that. That is not up to me. It's beyond—

Mr. Shays. No. I understand it's not up to you, but the same logic that would apply that you should be in Turkey would apply, correct, that you should be in Syria as well, correct?

Mr. Boks. Correct. We discussed that also at some states with OIP, that whether there could be coming a mandate to inspect also the Syrian part. But it was obviously up to the Security Council.

Mr. Shays. And their response was?

Mr. Boks. Well, again, that there was no mandate. Obviously Iraq has subsequently said that they were testing the pipeline.

Mr. Shays. Well, I mean, that's absurd. I mean, what we are basically saying is that there was a very viable pipeline through Syria, very viable pipeline through Turkey. We were inspecting the pipeline through Turkey, and we were not inspecting the pipeline

through Syria. And I just would like to have a sense of why. They had to give you some answer.

Mr. BOKS. It is an interesting subject. But having said that, if we would not have the authority, we couldn't do it, and the author-

ity had to come from the Council.

Mr. Shays. Let me just say this to you. You're cleared of all responsibility, so you can relax. But what you're doing is you're educating the subcommittee. I want to know what they would have said. I mean, it is a rather porous system that would—I mean, I have wondered how the smuggling could happen, and I didn't realize that we made it so easy. You must have had just general conversations with U.N. officials. Did they give you a logical reason as to why we wouldn't want you also to be in Syria?

Mr. Boks. What I heard is that it has been discussed also merely during meetings of the 661 committee, and there was no agreement

reached as to how to proceed on that.

Mr. Shays. An agreement required a unanimous consent. It's kind of like the Senate in Washington, which doesn't give me any comfort.

We're almost done here, gentlemen. And thank you very much. How often, Mr. Pruniaux, did goods avoid or ignore the authentication or inspection process? How often did you actually inspect goods? I get the feeling, given your mandate, given your personnel, that when ships lined up, when trucks lined up, you were more inspecting the paperwork than actually opening up the containers.

Mr. PRUNIAUX. Yes. It mattered to match the documents and to

authenticate. There are two things in your question.

Mr. Shays. No, that is your mandate. The mandate was to match the papers, not verify that was what was in the container verified the papers.

Mr. Pruniaux. It was left to our appreciation as a professional inspection company to inspect, which means to open, for instance, the containers, or to open the trucks, talking of the land border sites. Now, in such a case, normal practice is about 2 percent, sometimes 5, 6 percent, 5, 6 percent. What we did was on an average basis was about 10 percent of the number of trucks or containers being presented to us were opened, and I have provided some pictures to illustrate this.

Mr. SHAYS. But candidly, when there was the queuing up and a backlog, there was more pressure on you.

Mr. PRUNIAUX. Then the trucks would wait. No.

Mr. Shays. The trucks would wait.

Mr. PRUNIAUX. No. The trucks would wait. The drivers are educated. I mean, patience is a virtue in the Middle East, and they would just wait at the border.

Mr. Shays. Patience is a virtue. So can I infer from that when there was pressure to—a backlog, that did not impact your—quality of the work.

Mr. Pruniaux. No.

Mr. Shays. Well, here's the general feeling I get from your testimony, and I want you to tell me whether you agree or disagree. Mr. Smith, I get the sense that BNP basically believed—and I'm not passing judgment on this, I'm just saying what I believe—that

your responsibility was to check documents. You were basically Iraq's bank selected by the United Nations, correct?

Mr. Smith. We were the U.N.'s bank, in our opinion, maintaining an account for the United Nations, which was styled the Iraq ac-

Mr. Shays. OK. And I'm happy you're correcting me. You were the U.N.'s bank for Iraq, for Iraqi transactions.

Mr. Smith. That's right.

Mr. Shays. Dollars came in from the sale of oil, and dollars flowed out for the purchase of commodities, and that your responsibility was to make sure that—and you were giving letters of credit to make sure that this would all happen. But ultimately, your responsibility was to make sure that the paperwork matched. Is that a fair assessment of what I've heard you say?

Mr. Smith. Our responsibility was to ensure that all of the paperwork was in accordance with the letters of credit before we

made any payments.

The one additional point I would add in there, that not all of the funds that were received for the sale of the oil were retained at BNP Paribas. A minimum of 41 percent, as I explained in my opening statement, was transferred away to another bank, the U.N.'s main bank, Chase Manhattan, because BNP Paribas was only involved in the part of the humanitarian program that affected the central and southern provinces of Iraq.

Mr. Shays. Oh, the Kurdish area was not.

Mr. Smith. The Kurdish area was within the funds that we moved to Chase Manhattan.

Mr. Shays. OK. As long as your paperwork matched, then the transactions took place.

Mr. SMITH. Yes. Basically we were making payment against the letter of credits that we had issued on the U.N.'s behalf.

Mr. Shays. OK. And with you, Mr. Boks, and you, Mr. Pruniaux, what I sense is a different challenge. With you, Mr. Pruniaux, you had lots of different commodities to check. You had ports, plus you four transaction points there. You were inspecting trucks, you were inspecting ships, but you were primarily processing paper. You weren't taking a good look at every—you were not able to verify whether or not the paperwork matched what was actually potentially in a ship or in a truck; is that correct?

Mr. PRUNIAUX. We were able to do that. Sometimes, as I mentioned before, there were pressures because of the volumes or for outside reasons, like the Iraqis trying to put pressure on us. But, no, we had IT technicians. The operations that we carried was a combination of physical inspections, as I said, 10 percent or system-

atic sampling of foodstuffs.

Mr. Shays. It was sampling of the cargo. It was a sample of it. Mr. Pruniaux. Of the food basket only, and for which we had to do 100 percent laboratory analysis. But it was a combination, as I said, of physical inspections, matching documents, and receiving and keying data and processing these data on these documents and sending them to New York. So the sites were busy 24 hours per

Mr. Shays. But your testimony before the subcommittee was you didn't have enough people to do your job.

Mr. PRUNIAUX. On a case-by-case basis, not on a permanent basis. And that was especially, as I mentioned in my testimony it was specially hard in 2001. And as a request there was an increase, I believe, when we were operating in Umm Qasr at—when there was this peak at the end of 2002, 2001, at the beginning of 2001, we had the total of 62—no, 57 permanent inspectors. And that was the following contract which was won again by us covered additional five inspectors for Umm Qasr.

Mr. Shays. In both cases, neither of you were at all the sites that you needed to be in order to see all transactions, which enabled

smuggling to take place.

Mr. Pruniaux. That was not our duty.

Mr. Shays. I'm not saying it's your duty. I'm just saying that you were not at all the potential sites of transaction, either for oil or for commodities; is that correct?

Mr. Pruniaux. All the 986, all the Oil-for-Food transactions across the border, and we all authenticated them.

Mr. Shays. What's that?

Mr. Pruniaux. All transactions under the Oil-for-Food Program crossed the border. Those which crossed the border and we authenticated them.

Mr. Shays. Right.

Mr. Pruniaux. There was nothing else for us to do but just to look for the-

Mr. Shays. You only looked for the Oil-for-Food transactions.

Mr. Pruniaux. Yes. Absolutely.

Mr. Shays. All the other transactions you did not look at.

Mr. PRUNIAUX. No. We did not know.

Mr. Shays. And that's the case with you, Mr. Boks?

Mr. Boks. That's correct. We were at the authorized export

points, and, yes, that was about it.

Mr. Shays. I'm sorry to keep you a little longer, but I just need to ask you this one other area. When he undersold his oil, did you have any responsibilities to deal with that issue? In other words, were there questions raised when he would sell oil for below market price because the U.N. approved it, that was good enough? In other words, I mean, any thinking person would wonder why would he undersell for oil. Did that raise questions in your mind? He undersold his oil. He sold it for a price below market.

Mr. Boks. Well, obviously we didn't have anything to do with the

transfers of money. Pricing was not-

Mr. Shays. A factor. You just looked at buying. When he offered to pay for commodities, you didn't look at pricing either.

Mr. Pruniaux. No, not at all.
Mr. Shays. OK. Let me conclude by asking you, each of you, which is the weakness of the program? What was the greatest weakness of the program? Tell me, each of you, what you think the greatest weakness in the program from your perspective? I will start with you, Mr. Smith. If you were designing the program, what would you have designed differently to make sure there weren't the rip-offs that we know took place?

Mr. SMITH. As I said in my opening statement, from a banking perspective, I think the structure was right. From the program as a whole, more control was required over the procurement process and the pricing process.

Mr. Shays. Mr. Boks.

Mr. Boks. Yes. That is something I can't comment on, but I would say that the unauthorized export points, Syria came on line obviously in a much later stage than the inception of the programsm. But I think that is obviously a shame that it happened.

Mr. Shays. Thank you.

Mr. Pruniaux.

Mr. PRUNIAUX. Well, Cotecna has contracts worldwide for the control of borders and especially provide services to the Customs of various countries in the world. When I say provide, it means really sometimes we replace the Customs or we control the Customs.

Now, the Oil-for-Food Program and the authentication was something totally different, as I mentioned at the very beginning. If a comprehensive program had been designed even for the Oil-for-Food Program, it should have covered or it could have covered the various sectors of a complete control of imports, which is the price verification, the quality, quantity and so on. But that was not written. That was not requested in our mandate.

Mr. Shays. You all have been extraordinarily patient, and I think you have changed your schedules, and you have had to stay later than even I thought would happen. And you have been very cooperative with us. You have tried to be, I think, extraordinarily helpful, which is a credit to all three of you and to your companies, and I thank you for that.

Is there anything that you want to put on the record before we adjourn? Anything that you think needs to be on the record before we adjourn?

Gentlemen, thank you very much. This hearing is adjourned. [Whereupon, at 4:45 p.m., the subcommittee was adjourned.] [Additional information submitted for the hearing record follows:]



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## THE REAL WORLD

## What's 'Illegal'?

Kofi Annan helped Saddam Hussein steal food from babies.

## BY CLAUDIA ROSETT

Wednesday, September 22, 2004 12:01 a.m.

When U.N. Secretary-General Kofi Annan opined last week to the BBC that the U.S.-led overthrow of Saddam Hussein had been "illegal," two words came instantly to my mind: baby food.

No, I'm not comparing Mr. Annan's thoughts to pabulum. He is a smart man, adept enough that even in his BBC moment of condemning the U.S. (perhaps mindful that the U.S. is the U.N.'s chief financial backer) he took the trouble to blur responsibility for his own words, amending his use of "I" to the royal "we." Said Mr. Annan: "From our point of view, from the charter point of view, it was illegal."

It's unclear exactly whose collective view Mr. Annan thinks he was authorized to express, or under what terms in the U.N. charter he casts himself on some occasions as the hapless servant of the Security Council, and at other times, such as this, as the outspoken chief judge of world law.

But if Mr. Annan wants to discuss right and wrong in Iraq, which seems to be the real issue, then it is time to talk about baby formula. Why? Because Mr. Annan's preferred means of dealing with Saddam was a mix of U.N. sanctions and the U.N. relief program called Oil-for-Food. And the heart and soul of Oil-for-Food was supposed to be the feeding of sick and hungry Iraqi babies--including the purchase by Saddam, under U.N. auspices, of large amounts of baby formula. When Oil-for-Food was launched in 1996, it was advertised by the U.N. as a response to such horrors as pictures of starving Iraqi children and alarming statistics about infant mortality in Iraq, released by one of the U.N.'s own agencies, Unicef.

It was in service of that U.N. mix of sanctions and humanitarian relief that Mr. Annan after visiting with Saddam in Iraq in 1998 returned to New York to report: "I think I can do business with him."

And oh what a lot of business the U.N. did. Mr. Annan's Secretariat collected more than \$1.4 billion in commissions on Saddam's oil sales, all to supervise the integrity of Saddam's \$65 billion in oil sales and \$46 billion in relief purchases. The official aim of this behemoth U.N. aid operation was solely to help the people of Iraq, while the U.N. waited for sanctions to weaken Saddam enough so he would be either overthrown from within or forced to comply with U.N. resolutions on disarmament. Instead, Saddam threw out the U.N. weapons inspectors for four years, and, by estimates of the U.S. General Accounting Office, fortified his own regime with at least \$10.1 billion grafted and smuggled out of Oil-for-Food.

But of all the abuses of Oil-for-Food committed by Saddam--and not only allowed but in effect

approved and covered up by Mr. Annan's U.N.--the most cynical has to have been the trade in baby formula. This was one of Saddam's imports that few even among the U.N.'s critics dared question. Who could be so heartless as to object to food for hungry children? And given the secrecy with which Mr. Annan ran Oil-for-Food (as hapless servant of a Security Council packed with bigtime business partners of Saddam, such as France and Russia), no one outside the U.N. except Saddam and his handpicked contractors knew much in any event about Baghdad's traffic in baby formula.

The U.N. insisted that the identities of Saddam's contractors and the terms of his deals remain confidential. Even today, though the names have leaked, many of the vital details of these contracts (such as quantity and quality of goods) remain smothered in the continuing secrecy imposed by the U.N.-authorized investigation into Oil-for-Food, led by former Fed chairman Paul Volcker. And Mr. Volcker, apparently focused mainly on bribery allegations involving officials of the U.N. itself, may never get around to such broader but also important matters as Oil-for-Baby-Food.

But since Saddam's fall, a few windows have opened through which one can glimpse Saddam's U.N.-approved trade in nursery nutrition. Chief among them is a pricing study carried out by the U.S. Defense Department's contract auditing agencies last year, shortly after Saddam's overthrow. Lest anyone suspect the Pentagon of bias, it would of course be handy to draw on other studies as well. But there are none. Mr. Annan's Secretariat, while swimming in cash from its 2.2% commission on Saddam's oil sales, never got around to systematically examining Saddam's contract prices. That was a notable omission, given that Saddam's scam on relief contracts was one of the oldest and simplest in the book: overpaying for goods, using relief funds meant for the Iraqi public; then collecting part of those overpayments in the form of kickbacks.

And when it came to overpricing, which any veteran aid worker should surely recognize as a flashing red sign of probable graft, one of the most roundly abused categories under Oil-for-Food appears to have been the original rationale for the program: food itself.

The Pentagon pricing study looked at a sample of 759 big-ticket Oil-for-Food contracts still awaiting full delivery when Saddam fell--a snapshot of the program in its final years. Among those were 178 contracts for food. Of these almost 90% were overpriced by an average of about 22%-- more than twice the 10% figure often quoted as Saddam's standard kickback. In this sample, totaling \$2.1 billion in U.N.-approved grocery shipping by Saddam, the potential rake-off totaled \$390 million.

And within that Oil-for-Food sample shopping spree, the baby formula deals were estimated to be even more egregiously overpriced than the average contract for most other staples. Compared to the hundreds of baby food and milk contracts in the overall program (many of those with France and Russia) the Pentagon sample was small. The study looked at four baby formula contracts, two originating in Egypt, one in Tunisia and one in Vietnam--totaling \$43 million (which in any normal relief program might actually rank not as a small sample, but as a lot of money). But it seems telling that every single one of those four baby-formula contracts appeared "potentially overpriced" by about 26%, for a total of \$11 million in potential overpayments. On the biggest of these sample contracts, a \$26 million deal between Saddam and a Vietnamese dairy company--approved by the U.N. in October 2002, in the thick of the U.N. debate over going to war to remove Saddam--the estimated overpricing of 26% worked out to well over \$5 million on that contract alone.

Translation: In late 2002, while Mr. Annan was lobbying against U.S.-led removal of Saddam, he was running a U.N. program in which money meant for baby formula, among other goods, was very likely flowing into the pockets of Saddam and his sons and cronies.

Somehow, that was the kind of problem that Mr. Annan's office managed to miss, although

according to a November 2002 statement to the Security Council by Oil-for-Food director Benon Sevan, U.N. staff in Iraq had by then made 1,187,487 total "observation visits" to ensure the integrity of Oil-for-Food. More than one million of those observation visits were devoted to checking on food and nutrition (and all of them were paid for out of the U.N. Secretariat's 2,2% oil sales commissions from Saddam).

In the same November 2002 statement, Mr. Sevan reported that "acute malnutrition" was still rampant among young children in Iraq. Mr. Sevan explained that although malnutrition had been halved since Oil-for-Food began (all this was based on Saddam's statistics), it was still double the rate of 1991--a situation Mr. Sevan himself described as "far from satisfactory." But the solution prescribed by Mr. Annan was not to spot and stop the kickbacks. Rather, while lamenting what he described in Nov. 2002 as the "dire funding shortfall" of Oil-for-Food, Mr. Annan's solution again and again was to urge more oil sales by Saddam. Which meant, most likely, more resources earmarked to feed babies but diverted to the Baghdad regime (and, by extension, more commissions for the U.N.).

It would be interesting for someone with full access to the contract details -- meaning, I suppose, the UN's own investigation into itself -- to total the scores of Oil-for-Food contracts for baby formula, weaning cereal, milk and so on (much of it bought from Security Council member nations Russia and France), and employ some pricing experts to fill in the rest of the numbers.

But what we know already is that Mr. Annan, whose Secretariat turned a blind eye to Saddam's food pricing scams, has never apologized for presiding over the biggest fraud in the history of relief. He has not used the word "illegal." The closest he's come has been to admit this past March, after much stonewalling, that there may have been quite a lot of "wrong-doing"--before turning over the whole mess over to a U.N. investigation that has since smothered all details with its own blanket of secrecy.

Mr. Annan is due to step down next year. If he wants to leave a legacy more auspicious than having presided over Oil-for-Fraud, he might want to devote his twilight time at the U.N. to mending a system in which a U.N. Secretary-General feels free to describe the overthrow of a murderous tyrant as "illegal," but no one at the top seems particularly bothered to have presided over that tyrant's theft of food from hungry children.

Ms. Rosett is a fellow at the Foundation for the Defense of Democracies and the Hudson Institute.

Her column appears here and in The Wall Street Journal Europe on alternate Wednesdays.

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